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JOHNS HOPKINS UNIVERSITY STUDIES

IN

HISTORICAL AND POLITICAL SCIENCE

Under the Direction of the

Departments of History, Political Economy, and

Political Science

VOLUME XXXIX

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No. I. 1.

THE CAPITALIZATION OF GOODWILL

2

ERIES XXXIX 3 NO. 1

JOHNS HOPKINS UNIVERSITY STUDIES
IN
HISTORICAL AND POLITICAL SCIENCE
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Departments of History, Political Economy, and
Political Science

THE CAPITALIZATION OF GOODWILL

BY
KEMPER SIMPSON, PH.D.
Bureau of Markets, Department of Agriculture

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PREFACE

This monograph had its origin in an investigation carried on by the author while a member of the economic seminary of the Johns Hopkins University. The actual material was obtained for the most part from bankers actively engaged in the flotations described. Mr. Henry Goldman of Goldman, Sachs & Co., New York, and Mr. Abel Rosenburg of Frank, Rosenburg & Co., Baltimore, aided the author in obtaining material and information. Acknowledgement is made to Merrill, Lynch & Co., to Ladenburg, Thalmann & Co. of New York, and to Stein Bros. of Baltimore. Finally, the author wishes to express his appreciation of the helpful criticism received from Professor J. H. Hollander, Professor G. E. Barnett, and from the other members of the economic seminary in the Johns Hopkins University. Some of the data in the first two chapters was presented in entirely different form in articles in "The Annalist."

K. S.

THE CAPITALIZATION OF GOODWILL

CHAPTER I

Introduction

In the United States during the last decade there came into prominence a type of industrial corporation, the study of which constitutes an important part of the field of corporation finance and takes on perhaps even a larger significance from its economic implications. The emergence of a new type of corporation was the accompaniment and the result of a new and changed economic condition. A glance at the quotations of any of the stock exchanges of today will disclose a considerable number of proper names in the titles of the corporations represented. Sears Roebuck, Studebaker, Julius Kayser, Willys-Overland, and F. W. Woolworth appear along with the United States Steel Corporation, the United States Rubber Co., and the International Harvester Co. The appearance of these proper names on the stock exchange has an interesting economic significance. These companies had been for the most part originally private businesses begun in a small way by the men whose names they bore. As these businesses grew, most of them were incorporated in order to obtain the legal advantages of the corporation and to escape the inconveniences of the partnership and of the private business. These incorporations, however, ordinarily brought about no change in the methods of financing employed. Later, as these businesses expanded they found difficulty in financing themselves in the usual way through the commercial banks, or their owners desired to withdraw their capital investments. They were then reincorporated in order to issue seven per cent stock to be sold on the stock exchange.

The rise of this new class of industrials is associated with the increasing size of the industrial business unit, and with the extension of the once limited field of incorporation and of corporation finance. It is doubtful, however, whether these businesses would have assumed the form they did, and whether such reincorporations would have spread in the way they did, had it not been for the investment bankers. The other fields—railroads, public utilities, and industrial combinations—had been so thoroughly exploited that this new type of flotation was eagerly sought. The more important events in corporation finance since 1890 may be enumerated as follows: the spread of combination between 1886 and 1890; the enactment of the Sherman Anti-Trust law of 1890; the ineffectiveness of this statute for twenty years after its passage; the failures and reorganizations of the great "trusts" from 1900 to 1905; the panic of 1907, followed by reaction and than by the prosperity of the years from 1910 on; the anti-trust activities which started in the Northern Securities Case and which culminated in the Standard Oil and Tobacco decisions of 1911; and the rise of the new flotations here considered in 1911 and 1912. For a number of reasons, the last of these events is logically connected with the preceding events.

There was more than one motive which influenced the owners to reincorporate their businesses for purposes of flotations. The economic background and the part which the bankers played—as well as the motives of the owners—are considerations of importance and will be discussed in detail in this study. From one point of view, these businesses were reincorporated merely in order to sell preferred stock. Incorporations of this kind were not brought about by the desire for combination, nor were the purely legal advantages responsible. Most of them were purely financial expedients, and as such were somewhat different from the corporations that had existed before.

These industrial corporations constituted a definite class of corporations, not merely because they came at the same time, because they were the results of the same motives,

and because they had the same purposes, but because of their great similarity in form and in construction. The actual mechanism of the flotation was so simple and so much the same in most instances that it can be explained here in a few words. Whether the banker approached the successful business man or whether the owner sought out the banker, the process was practically the same. The owner sold his business to a newly created corporation, which paid him an issue of seven per cent preferred stock and an issue of common stock. The preferred stock was supposed to bear some definite relation to the tangible assets, and was usually covered by them. Behind the common stock something, known variously as "goodwill" or earning power, was supposed to stand; as a matter of fact, the common stock was justified solely by the knowledge that the business earned or was hoping to earn more than enough to pay the preferred dividends. Sometimes second preferred stock was issued, and sometimes bonds; but this was not typical and was the result of unusual circumstances. The preferred stock was sold in the market and the proceeds were used in the different ways already described. The owner held the greater part of the common stock and with it the control of the business. The banker, who was usually paid for his work by a common stock bonus, would sometimes market his block of common, thereby "creating an appetite for that particular kind of stock so that if in the future the owner wanted to dispose of a part of his holdings there would be a ready market for it." Of course, there were many exceptions to the rule, but on the whole the essential features of these industrials were the same. An issue of seven per cent preferred stock, marketed through one of a few well known investment bankers, an issue of common stock held, at least for a short time, by the men who were responsible for the success of the business, and an almost stereotyped method of capitalization were the criteria of the class.

One of the most distinctive features of these corporations was the kind of preferred stock which they created. There

had been preferred stocks before, and there had been preferred stocks guaranteeing from four per cent to as high as ten per cent, but there had never been a class of cumulative preferred stocks to which there had been appended such a series of carefully worked out provisions of a marked similarity. A seven per cent industrial preferred stock came to mean something almost as definite as a United States government bond. Industrial corporations, very similar in structure to these, existed before the issues of Sears Roebuck and the United Cigar Manufacturers were floated in 1906. But, as a class, these industrials have existed only for a little more than a decade; and they have been a factor of importance for only about half of that time.

Naturally, the short time these companies have been in existence makes it difficult to form any satisfactory judgment of their success. Furthermore, the number of companies which conform strictly to the type is not nearly so large as it promises to become. Many companies, which were exactly like the typical examples already described, did not market their preferred or common stock on the public exchanges. Many companies, which might have been listed on the smaller exchanges and eventually on the New York Stock Exchange, sold their stock privately. These companies were, for the most part, smaller; but this was not always true.

From the theoretical economist's point of view these incorporations have an especial interest since they represent a definite division between the functions of the entrepreneur and of the capitalist. In the typical capitalization of this class, the preferred stock holder is the capitalist and is paid interest. The high rate is probably explained by the risk involved; when the risk is not great, he pays more than par for the stock. He assumes the capitalist's function which the original owner in some cases entirely surrenders. (The accountant's misconception when he treats preferred dividends different from bond interest is apparent). As long as the original owners hold the common stock, they perform a purely entrepreneurial function. In

some cases it was definitely provided at the time of incorporation that the original owners, who had been responsible for the success of the business, must retain their common stock holdings for a certain period.

The subsequent sale of the common stock by the original owners represents one of the most important problems of these flotations. So long as the common stocks are closely held by the original owners, it makes no difference into how many shares they are divided. But the sale of the common stock in the market represents the social capitalization of a large amount of industrial goodwill. The sale of a part of the common stock, however, does not mean the surrender of the entrepreneur's function, because the entrepreneur's function implies control. Common stock is entitled to vote, but a small holding of common stock does not represent very much of the entrepreneur's function. The sale of a small block of industrial common stock is not very different from the sale of preferred stock. Common stocks so sold might be thought of as second preferred stocks, except, of course, that they have no preference as to income and assets. Inasmuch as the risk inherent in these common stocks is usually considerable, they ordinarily sell at low prices. The purchaser of common stock who buys for investment, and not for the purpose of exerting control or direction, has little of the entrepreneurial function.

The sale of these industrial common stocks, then, is the sale and capitalization of goodwill. Of course, a part of the preferred issue may have no actual investment behind it, but this is unusual. The sale of the preferred stock could be justified as the sale of the original investment, but the sale of the common stock is more difficult to justify. The entrepreneur's share is thereby transferred into a capitalist's share. The consequent claim upon the invested capital of society in many cases cannot be justified. These flotations have often made possible a gross over-capitalization of industrial goodwill.

When the entire common stock is sold by the original-

owners, the possibility presents itself that the investor in preferred or common stock has purchased a security less safe than he was led to believe. For this reason, prudent investment bankers usually insist that the men who have been responsible for the success of a business must not dispose of their common stock holdings, and must take the same interest in the companies as they did before their investment was withdrawn. As investments, the first preferred stocks have proved their value. The same, however, cannot be said for the majority of the common stocks.

CHAPTER II

The Development of a New Type of Stock Flotation

The reasons why men have preferred the corporate form of business organization to the partnership have been much the same throughout the history of industrial corporations. First, there was the perpetual succession made possible by legal authority and the dignity lent by governmental concession. Second, the corporation was the usual form employed by men who desired to obtain the control or the monopoly in a certain trade or in a particular industry. Third, the corporation is superior to the partnership as a method of financing a venture which requires a considerable amount of capital. In the different epochs in the history of corporation finance, however, these different motives have not always had the same importance.

The earliest corporations in England were the result of certain institutions and ideas which were vital in the economic organization of the Middle Ages. The corporate idea was developed in the mediaeval guilds, where "the conception of perpetual succession was implicit."[1] The internal government of the guilds and their jurisdiction in economic affairs are important in understanding the rise of the regulated companies, which were practically guilds of merchants engaged in foreign trade. Just as in the case of the merchant guilds, these early companies had a more or less exclusive control of the trade in which they were interested. It was with the joint-stock companies that corporation finance emerged. These companies, which carried on foreign trade and later manufacturing, undertook ventures which individuals could not have financed. Shares were thus created; and those who financed the ventures, the shareholders, were capitalists as well as entrepreneurs.

[1] W. R. Scott, Joint-Stock Companies to 1720, vol. i, chap. i.

The dignity adhering to the corporation, which was evinced by the common seal and the crests of the earliest companies, was a feature which it is hard to overestimate. As a matter of fact, not all of the joint-stock companies had control of the trade in which they were engaged; and, later, monopoly became unusual. Furthermore, corporation finance as it is understood today was not possible until the limited liability provision was developed in the middle of the seventeenth century.

The use of the corporate form of organization to control trade or industry was exemplified at a much later epoch in the history of industrial corporations. This use of the corporate form was popularly known as the "trust movement," and played one of the most important rôles in the economic history of the United States. In England, in the early years of the eighteenth century, the United East India Company was formed as a consolidation of seven different organizations.[2] But the so-called trust movement in England came at about the same time as in the United States, and that was not until after the Civil War. Simeon Baldwin's list of private incorporations in the United States before 1800 records but 225, of which only 12 were devoted to manufacturing. Between 1800 and the Civil War the expansion in our industry necessitated a more extensive use of the corporate form in industry, but it was not until about 1860 that the industrial combination and trust movement became a feature in our national life.[3] Starting with the pools in the cordage industry in 1860, combination spread over all industry. The formation of an employers' association, or even a chance social gathering of men, influential in a particular industry, led not infrequently to agreements and common rules. A loose combination of some kind was inevitably the next step. Only a short time elapsed before the advantages of the corporate methods of financing in the formation of such combinations were recognized and made use of wherever possible.

[2] Ibid., vol. i, chap. xix.

[3] W. H. S. Stevens, Industrial Combinations and Trusts, The Macmillan Company, 1913, p. i.

In the period from 1860 there were two kinds of incorporations which brought together separate properties: there were those by which a number of businesses already in operation were combined, ostensibly to obtain the advantages of large scale production, but actually, in most cases, to effect a monopoly; and there were those incorporations which were developed by men who saw the possibility of the development of an industry and who bought up the necessary properties from those who had owned them. In the first class, the idea of combination might have occurred to the owner of one of the combined businesses; nor is it necessary to think of an outside promoter as a factor in the combination. But in the second class, the outside promoter was usual. That one of these methods was as common as the other suggests the reason why the inside promoter and the outside promoter came to be thought of as equally probable contingencies. This fact is important in understanding the class of promotions which constitute the subject of this study.

It appears that it was as far back as 1865 that the combination in oil was first begun, and though it was begun in a small way, the economic organization in which it was placed was a rapidly expanding one. The industrial depression from 1873 to 1877 made people consider the evils of economic organization, and the combinations came in for their share of criticism. The Standard Oil Trust was formed in 1882, but this was a mere formality as the trade had already been monopolized long before. Other trusts sprang up, and in 1885 Congress gave up its former attitude of non-interference with private matters and abandoned its laissez-faire policy. After two years of discussion the Interstate Commerce Act was passed. This was followed in 1890 by the Sherman Anti-Trust Law, which has been called the most important statute in our history. The excitement it caused was only equalled by that in the Dred Scott case; however, its effect was far less important than might have been expected. Walker, in his book on the history of the Sherman law, has summarized the results

attained under this law for each administration.[4] The conclusions of his chapters will be presented in order to show the results of the passage of this act.

The Sherman law was passed in 1890 during Harrison's administration. He was president thirty-two months after it went into effect. Walker states: "It is apparent that the Sherman law was never used to any considerable extent as an instrument for the promotion of justice, or for the prevention of injustice, at any time prior to the end of the administration of President Harrison." In Cleveland's administration, eight of the ten cases under the law were concerned with labor organizations. Walker's analysis of these cases shows that the practical effect of this law in the four years from 1893 to 1897 was insignificant. "The eleven litigations relevant to the Sherman law between private parties which occurred during McKinley's administration (1897–1901) included eight cases in which that law was invoked in vain, and two cases in which it was successfully invoked by the defendants, and only one case in which it was successfully invoked by a plaintiff on a complaint as a means of remedying a wrong which had been inflicted by the defendants in violation of that law." Walker says: "Not even one 'trust' accurately so called was ever prosecuted prior to the end of McKinley's administration for violation of the Sherman law; and only two such prosecutions were begun prior to that time against any holding company, as if they were trusts."

The financial straits which led up to the panic of 1893 and the monetary difficulties thereafter would suggest that this was no period for promotions of any kind. Between 1890 and 1893, however, the starch, the leather, and the cordage consolidations were effected. The victory of the gold party in 1896, the trade revival in 1898, and the railroad and industrial expansion that followed were accompanied by a considerable number of combinations; yet no interference from the Sherman law was encountered. In the Northern Securities Case (1902–1904) there appeared

[4] A. H. Walker, History of the Sherman Law of the United States of America, 1910.

in the courts for the first time an effective anti-trust feeling. The final culmination of this feeling came about in the Standard Oil and Tobacco decisions of 1911. Aside from the effect on judicial opinion of the trust abuses, there was growing in the minds of the people a feeling against combination engendered by the great number of failures between 1900 and 1907. Two-thirds of the combinations that Dewing describes failed or were reorganized in the first years of the century.[5] The Rich Man's Panic and the Armstrong Investigation aroused further the public distrust of "big business." The bad effects of the panic of 1907 had hardly worn off before the Standard Oil and Tobacco decisions convinced bankers and investors that a combination of competing businesses was, at best, a doubtful basis for the issue of securities.

A new class of industrials invaded the stock market in 1911 and 1912. These industrials were incorporated private businesses or reincorporated closed corporations formed for the purpose of issuing stock and selling it in the market. Before this many private businesses and partnerships had been converted into corporations because of the very obvious legal advantages to be gained, but the sale of a business to a corporation in return for an issue of stock to be listed on the exchange was at that time a new thing. Prior to 1900 some well known businesses had been incorporated and had issued preferred stocks to be sold in a limited area. Some few small private businesses that had been converted into corporations were listed on the exchanges of the Middle West; between 1900 and 1906 they increased considerably. Among these a few small issues of department stores are noteworthy.

In 1906 Mr. Henry Goldman, of Goldman, Sachs and Co., brought out the United Cigar Manufacturers and Sears Roebuck. Before the panic of 1907, this banker had appraised the value of a great private business as the basis of a flotation, and the New York Stock Exchange became

[5] Arthur Stone Dewing, Corporate Promotions and Reorganizations, Harvard University Press, 1914.

acquainted with a new kind of industrial corporation. For a few years after the panic any activity of this kind would have been impossible, but with the coming of better times in 1910 a few promotions appeared, the most notable of which were the work of Mr. Henry Goldman. It was in 1911 and 1912 that industrials of this type first became prominent. They may be considered as constituting a distinct class of corporations, and as representing a new epoch in corporate development. Some of the same motives which actuated the earliest incorporations are present, but in different degrees. As the historical study shows, these flotations were in a large degree the result of the reaction against combinations. Naturally, they have not that feature which has been so often associated with the corporation, that is, the control of the trade or the industry. The primary motive of the incorporators of these industrials is the desire to obtain the financial advantages which the corporate form of organization offers. It goes without saying that often the legal advantages of the corporation have a large appeal for the ordinary business man. Of course he can incorporate and have perpetual succession without selling stock on the exchange, but it is partly the importance and the dignity attaching to a public flotation that influences him. Moreover, the advertising value in being listed on the exchange is considerable.

The history of the spread of these companies in 1911 and 1912 and the subsequent growth of the movement is not only interesting but is also valuable in the solution of one of the most important problems dealt with in the following chapter,—the motives of the incorporators. The particular question on which the history throws light is whether it is the banker or the owner who is to be held responsible for the rise and spread of these industrial corporations.

In 1912 the B. F. Goodrich Co. was reincorporated with the issue of ninety million dollars of stock.[6] Shortly before this, the bankers, Goldman, Sachs and Co., had planned the reincorporation of B. F. Goodrich with about forty-five

[6] See appendix iii.

million dollars of stock. That the flotation, as finally put out, was twice as large as the one originally proposed is explained by the fact that meanwhile the Diamond Rubber Co. approached the same bankers with a view to incorporation, or rather, reincorporation. These bankers brought the two competitors together and finally combined them in one company. In the interval between the incorporation of the original B. F. Goodrich Co. and its acquisition of the Diamond Rubber Co., the Goodyear Rubber and Tire Co. was reincorporated. The Goodyear flotation and the Fisk flotation, which followed in October of the same year, were the work of William Salomon & Co. From the five million dollars' worth of preferred stock issued by Goodyear, four million dollars were obtained by the business for working capital; from the three million dollars of preferred stock issued by Fisk, two million, four hundred thousand dollars were returned to the business, avowedly for working capital, partly perhaps for the liquidation of indebtedness.

The spread of flotations in the chains of five and ten cent stores started when in January, 1912, Goldman, Sachs & Co. brought out the F. W. Woolworth stock.[7] This was the first of the five and ten cent chain flotations; its beginnings have an almost romantic interest. The men who owned the several chains that were combined in this flotation grew up together in the same little town. They had always looked forward to the time when this combination might be effected. When an incorporation was suggested to them they were in a thoroughly receptive mood. There seems to have been no particular need for this kind of financing except as a method of allowing the owners to withdraw their investments of capital. Later in the same year the Kresge flotation occurred. The purpose of this reincorporation was the withdrawal of capital. The sale of preferred was neither for expansion, nor for liquidation. Whether Kresge, emulating Woolworth, sought out the financiers, or whether they went to him is an unessential consideration. It is enough to say, that the movement in this field that was

[7] See appendix iv.

started by the bankers resulted in the Woolworth, the Kresge, and, a few years later, the McCrory flotations.

The incorporation of the private businesses in manufacturing agricultural implements started in 1911.[8] In that year William Salomon & Co. brought out Rumely preferred. The grandson of the original founder had been induced by the bankers to consider the possibility of a flotation. In the next year, 1912, four of the largest businesses of the same kind were incorporated, or reincorporated, Emerson Brantingham, J. I. Case, the Moline Plow Co., and Deere & Co. In a so-called "Special Memorandum" of Emerson Brantingham the following words occur: "The acquisition by the Emerson Brantingham Co. of the assets and businesses of these various companies is the natural result of the rapid changes which are taking place in agricultural methods and the implement industry." As "working capital" was acquired in practically all of these incorporations, this excerpt from the Emerson Brantingham prospectus is to be regarded as significant.

The financial depression which accompanied the opening of the European War stopped the spread of these incorporations, but only temporarily. The great era of prosperity which followed, when America came to be the producer for the world, stimulated these promotions in a spectacular manner. Businesses of a kind which had never been thought of as stock market possibilities were made the bases of flotations. The bankers have sought out the great merchants; and the merchants have approached the great bankers.

[8] See appendix i.

CHAPTER III

The Motives of the Owners and the Bankers

It is necessary to consider the promoter of these industrial corporations and his function before the motives which are responsible for the existence of these corporations can be understood. The pure promoter, the outsider who merely proposed the scheme to the owner and who interested the bankers, was usually not a factor in these flotations. The work of bringing together the different units which constituted a combination had furnished a justification for the outside promoter; but when enterprises in which there was nothing to combine were to be incorporated, the most important function of the outsider disappeared, and with it his excuse for existence. Some of his other functions were important, but these, it is easy to see, could be readily assumed by others. Discovering the business organization and obtaining the underwriting syndicate were other necessary services which formerly were assumed to be, in most cases, the duties of the pure promoter. The occupation of the promoter was attractive because his remuneration was considerable. It was, therefore, only natural that those who were forced to pay for his services considered the possibility of assuming his functions. The banker coveted a part of these profits. This interest of the banker proved effective in many cases in that he was able to develop that specialized knowledge which many promoters had, but which was beyond the capability of ordinary business men. Finally, the banker had always been such an integral factor in the process, and had so definite a function in his own right, that it was perfectly natural for him to assume the other duties of the promoter.

Although the pure promoter can be disregarded in a study of these flotations, there still remains the important question as to whether it was the banker or the owner

who is to be considered responsible for the actual promotion. There are really two issues involved in this question. First, was it the banker or the owner who took the initiative in the greater number of cases? Second, was the movement as a whole the result of the activities of the great investment bankers or was it brought about by the great merchants? In every promotion the banker must play a very definite rôle; but it seems somewhat unwarranted to call him the promoter, unless it was his initiative that was responsible for the incorporation. It might be established that in the large majority of cases the banker was not promoter in this strict sense, and there would still remain the important question as to whether, in a more general way, bankers have been responsible for the general rise and spread of these promotions during the last ten years. It is impossible to give a dogmatic or unqualified answer to either of these questions. It would seem that the answer to the first question could be determined by actual count, and that the answer to the second would emerge in the history of the movement. If the testimony of the most reliable investment bankers can be accepted, the number of cases in which the bankers sought out the owners has been about equal to those in which the owners sought out the bankers. The second question, although more difficult to answer, admits of a more definitive settlement. It seems reasonably clear from the historical description presented in the foregoing chapter that the rise and spread of these industrials in 1911 and 1912 resulted primarily from the activities of the great investment bankers.

The view suggested above that bankers sought out large successful businesses as a basis for flotations when their former sources of supply, that is, combinations, were no longer available, however, like most views needs qualifications which will be best set in their proper perspective by some consideration of the other views as to the genesis of these corporations.

One set of these theories is associated with the motives of the owners. "The owners of successful businesses after

reaching a certain age wish to incorporate and they seek the necessary financial agents in order to withdraw their capital and, at the same time, retain the management," was a suggestion offered both by a student of corporation finance and by a shrewd investment banker. The student suggested that in a majority of cases the incorporations would be found to have occurred about twenty years after the founding of the businesses. The actual facts show there is no uniformity in the number of years that elapsed before incorporation, and that if there is any number of years more common than others it is somewhere around forty. Furthermore, it is clear that there are comparatively few incorporations for which the withdrawal of capital was the sole motive. Finally, often when the withdrawal of capital was effected, it appears that it was in the nature of an inducement offered by the promoting banker rather than the motive of the owner which made them seek the banker.

A second theory of this kind emphasizes the fact that in the great number of promotions of 1911 and 1912 the acquisition of capital for expansion or for the liquidation of indebtedness was sought. It suggests that the industrial expansion and the difficulty of obtaining capital in those years induces owners of well known businesses to incorporate. Although this theory does not explain the promotions prior to 1911 and 1912, and although it is known to be insufficient for many of the incorporations of those two years, it undoubtedly has a value which should not be neglected. Many of the companies incorporated in 1911 and 1912 sold their preferred stock issues, or parts of them, to obtain "working capital for expansion." Some of the most prominent issues of those years were of this kind. The Fisk Tire Co., The Brown Shoe Co., the Julius Kayser Co., and the Loose Wiles Biscuit Co., gave this as the principal reason for their issues. One half of the Studebaker preferred was returned to the business for working capital; Goodyear Rubber Tire Co., and Moline Plow Co. wanted capital both for expansion and for the liquidation of indebtedness.

It seems reasonably clear that the bankers first taught the merchants the value of this kind of financing. The spread of incorporation in the industries, described in the foregoing chapter, shows how the merchants profited by the examples of their competitors. The bankers' initiative, displayed in the Goodrich, the Woolworth, and the Rumely flotations, resulted in the spread of flotations in those industries. But this theory of the initiation of these promotions does not preclude the possibility that it was usually the owners who were the seekers and the bankers who were sought. Some of the bankers maintain that the flotations which were the result of their initiative have been, generally speaking, the more successful ones. Important as were the bankers in the general movement, the motives of the owners to whom they had to appeal and the motives which led so many owners to take the initiative deserve as much attention and as detailed study as the motives which impelled the bankers.

One of the reasons why the bankers started these flotations has been sufficiently treated; they wanted large, successful, private businesses as bases for flotations at a time when prosperity and expansion encouraged stock market promotions and when combinations were considered unsafe and illegal. The most successful of these bankers had done a mercantile credit business which gave them a knowledge of the conditions in different industries; and it was this knowledge which enabled them to choose the proper businesses when they saw that the market could absorb new securities. There was another, perhaps more definite, consideration which influenced them in the direction of their activities. In this particular kind of flotation a large amount of "watered" common stock was always issued. At the time of the issue this common stock usually had but little value, since the earnings of the businesses were seldom large enough to warrant any dividends on the common stock. The bankers, however, took payment for their services in large common stock bonuses, since they saw that with the growth of the business the common stock would become more and more valuable.

The arguments, which the bankers employed to justify these large common stock bonuses and to convince unwilling owners to part with so large a share of their businesses, were apparently the following. First, said the bankers, we are the promoters and as such deserve a considerable remuneration. Second, when our customers buy the securities which we offer, they must have some assurance as to our knowledge and our ability to control or to regulate, in some degree, the conduct of the businesses which we float. When we sell an issue of stock, our reputation is dependent upon the success or failure of the business which underlies that issue. Our only effective method of supervising these businesses is through the voting power which attaches to the common stock. Third, although it is to the interest of everyone concerned (the bankers, the investors, and the owners) that the men who are responsible for the success of a business should retain their common stock as long as possible (and with it their control and interest), there will come a time when they will have every justification for wishing to dispose of their holdings of common stock in the market; and this legitimate desire can best be fulfilled if the bankers be given a large enough block of common stock so as to sell it or a part of it at the time of the flotation and cultivate the market's taste for that particular kind of stock. These were the arguments which enabled the bankers to obtain the enormous stock bonuses which, it appears, they received.

The motives which were effective in making the owners desire these flotations and the inducements which the bankers held out to the owners whom they wanted to interest were of many kinds. Although the purely financial advantages offered by these flotations and the possibility of capitalizing their goodwill were the most important considerations, there were others which can not be neglected. Just as the crests, the common seal, and the other dignities which attached to the early corporations made the men of the Middle Ages prefer the corporate form and its perpetual succession to the private business organization, so the fact

that a business was listed on the New York Stock Exchange made a large appeal to the ordinary American business man. A private business obtained in this way a considerable advertisement, and was helped materially in the development of its trade name.[1] The fact that F. W. Woolworth was quoted on the New York Exchange may have had some effect on Kresge or McCrory. The success of Studebaker and of Hart, Schaffner and Marx, as stock market ventures, stimulated other promotions in the automobile and clothing industries. The spread of these incorporations in the rubber and agricultural implement industries and in the chains of five and ten cent stores must be explained in part as due to this motive.

It must be clearly understood that seldom was any one motive entirely responsible for a flotation. Even where there was one motive which was clearly predominant, there were others which were contributory. In the numerous cases where the banker's motive was simply the desire for monetary profit—where the business floated was not a really sound basis for this kind of promotion—the inducement or inducements to incorporation which influenced the owner must not be neglected.

One of the great advantages which has been associated with the corporation throughout history was not present in these industrials. Many of the earliest corporations were granted an exclusive right to a certain trade. A number of American corporations in an earlier period had obtained what was practically the same result by combination. The industrials included in this study could attempt no control of an industry. The casual observer might point to the fact that many of them were combinations, that is, Woolworth, Kresge, McCrory, Kresge, Jewel Tea, Acme Tea, May Department Stores, etc. These combinations, however, were very different from those of the trust movement. The two purposes of combination are the control of an industry (maintained by the stifling of compe-

[1] This advertisement value was recognized by Goodrich, Sears Roebuck, and Underwood Typewriter.

tition) and the advantages of large-scale production (made possible by the law of increasing returns). But the courts forbade restraint of trade; and investors became skeptical as to the advantages of large-scale production after the failures in the first part of the century. The new industrials were combinations of non-competing businesses, and as such did not come into conflict with the Sherman law. The organizations combined were retail and for the most part in different cities. Furthermore, it is obvious that practically none of the advantages of large-scale production were possible in this kind of combination. Indeed, these businesses, which were owned in most cases by the same man or group of men, did not require a flotation or even incorporation in order to be combined; nor was combination ever a motive which was effective in bringing about the promotion.

This class of industrials was distinguished from those that went before by the fact that the purely financial advantages of flotation influenced the owners of these businesses. There were some industrials which came at the same period, and which had the same form as those in this class; but they were different in that they were not private businesses incorporated or corporations reincorporated. They started out as corporations and with a public issue of stock, which was intended to obtain capital for the initial financing.[2] The new industrials were all private businesses incorporated, or closed corporations reincorporated, which issued and sold preferred and common stock in the public market.

The sale of preferred stock, then, ordinarily had one or more of three purposes: (1) the withdrawal of the owner's capital; (2) the acquisition of working capital for the expansion of the business; (3) the liquidation of the indebtedness of the business. These were the three motives of the owners, which the remainder of this chapter will treat in some detail.

The desire to withdraw capital is the motive which some have held to be solely responsible for the rise of these

[2] E.g., United Five and Ten Cent Stores; Burt Olney Canning Co.

corporations. As was explained before, this view is unsound; sufficient proof of this contention is found in two facts: (1) this motive was not effective in the earliest flotations; (2) in very few cases was it the sole inducement for the later incorporations. However, in practically every industrial corporation there was some withdrawal of capital, even in cases in which expansion of business or liquidation of indebtedness was the motive which really brought about the flotation. Finally, in all those flotations where the only financial consideration was the withdrawal of capital, it was either the banker's initiative or the psychological effect of other flotations on the minds of the owners that was really effective. Examples of this type were Woolworth, May, Kresge, Goodrich, and Rumely.

The withdrawal of capital was seldom set forth in the prospectus as one of the reasons for the sale of preferred stock. It may have been assumed that the investor would understand that any capital, which was not intended for expansion or for liquidation of indebtedness, was to be withdrawn. However, it is more likely that this reticence was due to the belief that the ordinary investor would not have approved such a withdrawal. He would have felt that the owner was trying to withdraw his capital, and yet keep control of the business that was being financed by the money of other people. The answers which companies like Woolworth, May, and Kresge, could have given might have been convincing; yet the absence of any definite avowal of this purpose in most prospectuses is evidence that it was considered advantageous not to present it.

The second motive which influenced owners to incorporate was the desire to obtain working capital for expansion. The advantage of borrowing from the public when compared with borrowing from the commercial banks was recognized in many cases as very considerable. The loan could be made for a long period, and the company's credit was thereby increased at the bank. Shortly after Rumely and Goodrich were reincorporated there was a spread of

flotations in the agricultural implement and the rubber tire industries. This may have been suggested by the example of those first two incorporations; but the fact that the other companies needed capital for expansion in the years 1911 and 1912 is important.[3] Although the general need for expansion in those years was not the sole explanation of the interest of the owners in these flotations, it is reasonably clear that this motive played an important part.

This motive was the one which the prospectuses were most willing to acknowledge. Expansion or the need for capital, throughout the history of corporation finance, has been considered a justification for a public sale of stock. In England, although an issue of debentures in the original financing of a company might have been questioned, such an issue was considered quite the proper method of obtaining capital for expansion later in the company's history, and preferable to making a call on the original stock holders. Expansion seemed the legitimate criterion of a successful business, and the need for working capital was one which investors were expected to be willing to satisfy. In some of the prospectuses of the new industrials, the alleged "working capital for expansion" was really intended for the liquidation of indebtedness. Naturally, this liquidation of indebtedness increased the credit of the company at the banks, and thus established the possibility of expansion. It is a question, however, whether the investor who believed that his money was to be used for expansion would have been equally satisfied if he had known that it was to be used for the payment of debts.

The fact that these industrials did increase rapidly in a time of business expansion gives great importance to the second motive. As soon as the country had recovered from the economic prostration attendant upon the panic of 1907, these industrials began to appear. Again when it was realized that the European War would mean great prosperity for the United States, the market teemed with these

[3] See below, p. 84.

industrial issues. Certainly the proceeds of much of the preferred stock that was sold went into expansion, the purchase of new machinery, etc. And it is just as true that much of the money which it was believed would be used for new working capital was employed to pay off debts which were the result of rapid expansion.

The third motive, the liquidation of indebtedness, is one of peculiar interest. It might seem that the company in issuing preferred stock to pay off existing indebtedness was borrowing from Peter to pay Paul. But, although seven per cent was a high price, the terms were far better for the borrower. There was no need to renew the notes as they fell due; and small investors were easier to manage than the bankers. Furthermore, bankers as stock holders were allies; but bankers as creditors had not always been so friendly. It is easy to see how this motive led to incorporation. When a merchant needed a sum of money for some debt or other, he approached the banker. Goldman, Sachs & Co. had done a credit business of this kind long before the rise of these industrials. The banker discussed with the owner the value of a flotation as a method of obtaining money. This was an important motive in the Sears Roebuck incorporation. In some cases the banker used as one of his arguments, when trying to induce an owner to incorporate, the possibility of converting large outstanding liabilities into a preferred issue. Stern Bros. changed a bond issue into an issue of preferred stock; but it was for reasons of taxation and not for the purpose of improving its credit. However, in the J. I. Case flotation one of the reasons—and perhaps the principal one—for the preferred issue was the cancellation of a large bonded debt. In the Manhattan Shirt Co., the Moline Plow Co., and in Henry Sonneborn Co., this motive was of great importance.

CHAPTER IV

The Method of Flotation

In most studies on corporation finance, much has been made of the technic of the underwriting. The actual mechanism of the new flotations and the modus operandi of the creation and the disposal of the preferred stocks in the new industrials was not particularly complicated and is of interest merely because it shows the way in which the banker-promoter received his remuneration. The sale of the business to a newly created corporation, which has been described elsewhere, was a comparatively simple process. A corporation was formed which bought the old business from its owners, and in return gave them the issues of preferred and common stocks. The former owners were then in entire possession of the preferred and common stocks. So much for those flotations wherein the owners withdrew their capital. In those cases where the sale of preferred stock was partly intended to obtain money for the business, there was another possibility. The corporation might have given the owners the entire issue of common stock, but only a part of the preferred issue. The part which the new company retained could then be used to procure the new capital necessary. In some cases, however, the owners received all the stock; but after they had disposed of it, they returned a part of the proceeds from the sale of this stock to the new company in return for its note.

It was with the holders of the stock, namely, the former owners of the business, that the banker-promoter dealt. The banker-promoter, alone in most cases, or with one or two associates, bought the entire issue of preferred stock. One of the leading banker-promoters in the field said: "We bought for our own account and at our own risk from

the stock holders of the new company (not from the company) all or a part of the Preferred Stock, with a bonus of Common Stock." So far no underwriting was done, and no syndicate organized. In this respect, the purchase of an issue of seven per cent industrial preferred stock differed from the ordinary procedure in the case of a large bond issue. After the promoter banker had bought the preferred stock issue, he organized what was called a syndicate to effect the actual marketing of the stock. The case that was simplest, though probably somewhat exceptional, was that of Cluett Peabody. The banker-promoter telegraphed to a number of bankers throughout the country—who were the usual customers for such preferred stock—the amount of stock which was allotted to them. They were to answer immediately if they accepted his allotment, and to send a check for the amount the same day. Furthermore, they were given a price below which they were not to market the stock. If any one of them had not taken his allotment, he had less chance of being included in the next offering.

A second method of marketing the stock was the one which was commonly used by the largest and most successful promoter-bankers. Such a banker often would merely announce in the market that he had purchased an issue of stock, and customers would be immediately available. These customer-bankers were allowed to subscribe for a definite portion of the issue. In these cases they did not pay for their allotments and carry off their stock. They signed their names as underwriters in a syndicate agreement. Then they returned to their offices and proceeded to sell the stock at a price below which no member of the syndicate could sell. If any banker did not sell his entire allotment, he was nevertheless liable for it at the same price. Thus, his entry into the syndicate agreement amounted to an actual purchase of the stock. In many cases his entry into the syndicate implied immediate remittance to the syndicate-manager (that is, the banker-promoter) of the entire amount of his liability. In some cases this payment was deferred; but in no case was his liability different from

what it would have been if he had made an outright purchase of his allotment.

A third method of marketing the stock was by letters to bankers throughout the country, who were invited to join the syndicate and participate in the manner described above. There was nothing very complicated about these syndicates. Perhaps the fundamental idea in the syndicate marketing was the collective buying and selling in order to keep a standard price below which no participant could sell. It was a more attractive way of buying from the small banker's point of view, because in many cases he did not have to pay for his entire allotment until after he had sold his stock or at least a part of it. However, his liability was the same as in the case of actual purchase.

This syndicate marketing is interesting in that it reveals the way in which the banker-promoter and the other bankers received their remuneration. The promoter-banker received from the owners a bonus of common stock with the purchase of the preferred. When he organized the syndicate of which he was usually a member, he sometimes distributed half or more of the bonus he had received among the participants in the syndicate. He did not reveal the price which he had paid the original owners for the preferred stock nor the amount of the common stock bonus, but it was generally understood that the syndicate was to receive the preferred stock at about the same price that he paid for it and that it was to be marketed with but a point or so of profit. In return for marketing the stock, the participants received common stock bonuses; and the banker-promoter or syndicate-manager also received his remuneration from the common stock he withheld from the syndicate.

The participant in a syndicate sometimes received his remuneration in a different way. He bought preferred stock at 98 which he was told to market at 100, and common stock at 32 which he was told to sell at 40. Assuming that the amounts of preferred and common were equal (a convenient though improbable assumption), he could calculate

a profit of 10 points on the purchase taken as a whole. This remuneration to him seemed no different in kind from the profit he received from buying bonds at 95 and selling them at 100. But, theoretically, there was a difference. The original owners of the preferred stock were supposed to receive almost all the market would give for such stock. What the promoter-bankers received from them and what the syndicate participants were given was a common stock bonus and not a difference in buying and selling price. The actual amount of these bonuses and the remuneration received by the banker-promoters and the customer-bankers is hard to discover. The promoter-bankers told their correspondents very little, and the information on this subjected extended by them was meager.

CHAPTER V

The Principles of Capitalization

The development of industrial corporations which represent the capitalization of goodwill and intangible assets offers some new problems for the accountant and for the economist. It is particularly interesting to the economist to determine in how far bankers and business men take heed of the fundamental laws which govern interest and profit and from which proper principles of capitalization can be deduced.

The accountant defines capital investment as the fixed assets and current assets, which are needed continuously for the operation of a business. He distinguishes carefully the capital which is invested in a business and which is kept there from the money expended by the business for materials, labor, and other items, which go to make up the costs of production. The distinctions which he makes between the capital account (that is, the investment) and the cost account (that is, the costs of production) are not, however, so clearly definable as he seems to think. The accountant insists that investment represents the amount of money actually invested and not any market or other arbitrary evaluation put on the properties.

The accountant adds the sum of the expenditures for any period (namely, the cost of the labor, the cost of the materials, and the overhead costs) and subtracts this sum from the value of the sales in order to determine what he calls profit. As no interest on the investment is included in these expenditures, the accountant's profit includes what the economist regularly defines as interest and profit.[1] The accountant divides his profit by investment in order to determine the return on the investment for the period.

[1] No bond interest is included in cost.

The logical implications of strict accounting reasoning might seem to result in the principle that the capitalization should be identical with the investment. But if the accountant insisted upon a capitalization not in excess of investment his path would not be an easy one. The captains of industry often desire to conceal the actual investment and often feel the necessity of disguising very large returns. Furthermore, in the case of the consolidation of two businesses in which the investment might be the same but the earnings different, it would be obviously unfair to expect the stock holders of the two corporations to accept the same amount of capital stock. Either the differential theory of interest or the differential theory of profit might be adduced in extenuation of a capitalization larger than the original investment. The profits earned by the entrepreneur on different pieces of capital goods may be different, even though the capital invested in the capital goods be the same in amount. Whether these differences represent differences in interest or differences in profits is a technical economic problem which has considerable interest.[2]

[2] If the preferred stock holders replace the investment of the original owners, the preferred stock dividends may be considered interest. If 7 per cent bonds had been issued instead of preferred stock there would have been little difficulty in determining the economic nature of the return. The high rate of interest, however, seems to suggest the possibility that there is some profit included in this interest, yet, if it be assumed that profit is the entrepreneur's gain and presupposes actual administrative control and that the return for risk is a capitalist's return, the preferred dividend would be considered interest and its size could be explained by the risk involved. The better preferred stocks are marketed in many cases above par, so that the interest paid on investment is not always 7 per cent when the risk is not so great. The earnings on the common stock, then, represent pure profit. This analysis is based on Francis Walker's theory of profit, and practically assumes the inclusion of interest in cost for the determination of pure profit.

The accountant, who includes neither bond interest, preferred dividends, nor estimated interest on investment in cost, seems to assume the differential theory of capital as the basis of his analysis. Different pieces of capital goods are operated with different degrees of efficiency and bring different returns,—and by returns are meant interest plus profit.

The distinction between interest and profit has been less carefully defined by economists than its importance merits. If profit or loss in any particular case can be thought of as the difference between cost

When the proceeds from the sale of the preferred stock are used to replace the investment of the original owners, the preferred stock theoretically should represent approximately the original investment, and the common stock would then represent the entrepreneur's claim on pure profits. If the entrepreneurs hold all the common stock, it makes no difference into how many shares the common stock is divided. If they sell all or a part of it, the problem is not so simple. Those who buy common stock in the stock market are ordinarily not entrepreneurs; although they have legal title to a part of the capital goods and to the product, they have no administrative control. They invest capital in the business, and receive a less certain return because of the claims of the preferred stock holders. Thus, they perform the capitalist's rather than the entrepreneur's function and receive technically the entrepreneur's return or a part of it.

From the point of view of the practical business man, the preferred stock represents assets and the common stock

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and selling price, interest must be included in cost. The accountant includes only actual expenditures in cost, and for the entrepreneur who owns his investment, interest is not an actual expenditure. But when the entrepreneur, i.e., the common stock holders, does not own the investment, the 7 per cent dividend payable to the preferred stockholders, i.e., the capitalists, is clearly an actual expenditure and a cost.

Capital goods, the accountant maintains, do not always yield enough to cover the expenditures of the company and its preferred stock dividends: obviously in such cases there are no profits; there may even be losses. Wage earners do not always earn their wages; yet, the accountant includes in cost the actual amounts paid in wages. Wages must be paid or laborers will not work. If wages are larger than the product produced by the laborers, the profits of the entrepreneur are reduced, but the interest on the capital should certainly not be affected. If capital is not well invested in captal goods, the return imputable to such capital goods is less than the amount which must be allowed for the use of capital. The entrepreneur's profit is, then, reduced by that amount. Capital goods do not earn returns, as is popularly maintained: the entrepreneur with his capital investment, his labor, his land, etc., does the earning. But whether the capital is well invested or poorly invested in capital goods, as capital its return must be considered before profit can be determined. The chief difficulty of the accountant lies in the necessity of estimating the interest on investment to be included in cost. However, when the 7 per cent dividend is actually paid or payable, as in the industrial corporations represented in this study, these dividends should be considered as interest and included in the cost to be deducted from the value of the sales for the determination of profit.

is explained in either two ways, by the intangible values or goodwill and by the earning power in excess of the preferred stock requirements.

It is interesting to consider the opinions of the bankers who have been most active in the flotations of these companies. There seems to be general agreement that no matter what the earnings of a business were at the time of incorporation, the preferred stock had to be covered by the tangible assets. And with but one or two exceptions, this seems to have been the case. The most prominent, perhaps, of the banker-promoters asserted that the value of the tangible assets had to be two or three times as great as the issue of preferred. As a matter of fact, in two-thirds of his companies the preferred was just about equal to the tangible assets, and in the other third the margin above this was very slight. Another banker thought that the amount of preferred stock should have been about one half of the tangible assets at the time of incorporation. All of these estimates were too conservative. The preferred stock was in practically every case covered by the tangible assets, but not by such a margin as these men supposed. The question of common stock issues is a more difficult one. If the owners intended to hold the common stock, the amount of it did not concern them particularly. If the common stock was to be marketed immediately after incorporation, the owners would in all probability have desired as large an issue as possible. Certain bankers estimated that the earnings on the common stock after the payment of the preferred dividends were, on the average, five or six per cent. As a matter of fact, the average was considerably higher. The reason for this will be considered later.

The opinions of the bankers are interesting in that they show that there was no one principle of capitalization which explained both preferred and common stock and that a different theory explained the preferred stock from that which explained the common. The preferred stock was limited by the tangible assets; the common stock had its

justification in the earning power. True, the preferred dividends had to be covered by the earnings: so seldom, however, did an issue of preferred stock appear, the dividends of which were not easily covered by the profits, that the bankers seldom thought of the preferred stock in its relation to the earnings. Sometimes a prospectus would announce the ratio of the earnings to the preferred dividend obligations, but this was clearly not a significant feature and was adduced more in the nature of additional evidence for convincing the investor of the safety of the preferred. An issue of preferred stock was usually thought of as an issue of obligations; important similarities to bonds will be indicated in another place. As much as the bankers say about the intangible values or good will that were behind the common stock, they realized that it was the earning power that was the real justification. The fact that the corporation earned more or was expected to earn more than enough to pay the dividends on the preferred stock gave value to the common stock.

Evidently there are two things which are of importance in the capitalization of these industrials: first, the ratio of tangible assets to the preferred stock at the time of incorporation; second, the earnings on the common stock.

The amount of preferred stock issued at the time of incorporation is shown in the first column of the table on page 44. In the second column is the ratio of the tangible assets to the preferred stock. By tangible assets are meant capital stock and surplus with goodwill deducted, as they appeared on the first balance sheet. This amounted to the same thing as the tangible assets with the bonds, notes, and current liabilities deducted. Very often, as it was explained earlier, a part of the proceeds from the sale of the preferred stock was returned to the corporation for working capital. This addition would naturally be included in the tangible assets. Furthermore, when the outstanding liabilities of the business were liquidated by the sale of the preferred stock, the tangible assets appeared that much greater because of the decrease in the amount deducted for

liabilities. If the preferred stock was equal to the tangible assets, this ratio was unity. If the preferred stock was one half or one third of the tangible assets, this ratio was two or three. Thus, the larger this ratio, the more conservative was the issue of preferred.

In the third column is the amount of common stock issued. In the fourth column are the earnings (after the deduction of the preferred dividends) on the common stock. Although the companies were just starting their corporate lives, there was naturally a record of yearly earnings for the private businesses which preceded them. If these earnings had showed any regular increases or decreases, the probable earnings for the first year of the corporation might have been estimated. As a matter of fact, these pre-incorporation profits were in most every case so irregular and fluctuating that some more arbitrary method of calculating the probable earnings has had to be adopted. The earnings of the three, four, or five years preceding incorporation were usually given when a flotation was advertised. An average of these three, four, or five years has been calculated. As most of these businesses increased their earnings from year to year, this average seemed in many cases too low an estimate of the corporation's probable success. Therefore, it seemed best to take an average of this average and of the profits for the last year. The figures in column 4 have been obtained in this way. This method was desirable because it gave a larger prominence to the profits of the year immediately preceding incorporation. In most cases, when a prospectus gave profits, it meant profits after the deduction of interest charges. When a business paid its debts by the sale of the preferred stock, its profits after incorporation showed an increase, other things being equal, merely because the interest charges were decreased or done away with and because the preferred dividends were not deducted from net profits. Furthermore, the new working capital would in all probability have increased future earnings. However, a business that was incorporated merely to enable the owners to withdraw their capital could

anticipate as great an increase in profits as the other types because it was most likely a better business in that it had been built up slowly and had no large debts, and no need of new working capital.

The table on the following pages shows the capitalization of forty-six industrial corporations.[3]

When the large number of private businesses that were incorporated is considered, this material may seem meager. Many private businesses were incorporated, however, because of the legal disadvantages inherent in a partnership. Many of them were closed corporations, that is, they had no securities in the open market. Some merely issued common stock and were capitalized in a different, and in a less elaborate, way than those discussed here. Some were quoted on the smaller exchanges and were not so well known; the necessary data concerning these companies was usually not available. Of the forty-six corporations given, twenty-four were listed on the New York Stock Exchange and seven were traded in on the Curb; practically all of the others were listed on the smaller exchanges. Many of the industrials quoted on the exchanges, and even a number of those which had preferred stock, were very different from the type dealt with here. The trusts and the combinations did not ordinarily issue stock only for sale in the market. The stock of these companies was usually issued in part to the different owners in payment for the businesses which they surrendered to the trust or to the combination.

Of the industrials in the table, five produced rubber goods and rubber tires.[4] There were four automobile companies.[4] There were six which made agricultural implements.[4] There were four chains of five and ten cent stores, and two department stores.[4] There was one canning company and one can making company, and three which manufactured and sold articles of food consumption. There were twelve which produced or sold articles of clothing.

[3] From original prospectuses issued by the promoter-bankers and from Poor's and Moody's Manuals of Industrials.

[4] See appendices i, ii, iii, and iv.

Name of Corporation	Preferred Stock	Ratio of Tangible Assets to Preferred Stocks	Common Stock	Probable Per Cent Earned on the Common Stock (After Deducting Preferred Dividends from Net Profit)
B. F. Goodrich.....	$30,000,000	1.13	$60,000,000	8.3
Goodyear.....	5,000,000	2.00	5,000,000	22.8
Fisk.....	1st 3,000,000	1.00	8,000,000	5.2
	2d 2,000,000			
Kelly-Springfield...	1st 3,758,000	1.24	4,000,000	23.5
	2d 907,000			
Ajax-Grieb.....	330,000	3.71	450,000	34.0
Studebaker.....	13,500,000	1.77	30,000,000	4.5
Willys-Overland....	5,000,000	2.16	20,000,000	12.5
Maxwell.....	1st 13,000,000		13,000,000	0.0
	2d 11,000,000	1.04		
Hupp.....	1,500,000	1.73	5,000,000	9.0
Emerson-Brantingham.....	12,000,000	1.45	10,000,000	7.0
Deere.....	37,800,000	1.18	18,400,000	7.5
Case (J. I.).....	12,000,000	1.66	8,000,000	5.7
Moline Plow.....	1st 7,500,000		9,000,000	
	2d 1,500,000	2.04	9,000,000	11.0
M. Rumely.....	8,000,000	2.32	9,000,000	6.3
Hart-Parr.....	750,000	2.44	1,000,000	24.5
F. W. Woolworth...	15,000,000	1.00	50,000,000	6.8
S. S. Kresge.....	2,000,000	1.23	1,000,000	3.3
S. H. Kress.....	4,000,000	1.10	12,000,000	6.6
McCrory.....	1,250,000	1.60	5,000,000	4.3
May Dept. Stores..	5,000,000	1.00	15,000,000	5.9
Kaufman Dept. Stores.....	2,500,000	1.00	7,500,000	8.0
Hart Schaffner & Marx.....	5,000,000	1.00	15,000,000	3.9
Sonneborn.....	1st 750,000		2,500,000	
	2d 1,000,000	1.14		6.7
A. B. Kirschbaum..	1,350,000	1.48	2,650,000	5.0
Frisbie Stansfield...	1,300,000	1.15	1,500,000	3.0
Barnhart Bros. & Spindler.....	1st 1,250,000		1,000,000	
	2d 750,000	1.00		1.3
Pierce, Butler & Pierce.....	1st 700,000	1.17	800,000	4.3
	2d 150,000			
International Shoe .	8,250,000	1.00	12,750,000	6.9
McElwain Shoe....	1st 2,500,000		1,500,000	
	2d 1,000,000	1.43		30.0
Brown Shoe.....	4,000,000	2.50	6,000,000	5.0
Julius Kayser.....	1st 3,000,000		6,000,000	9.3
	2d 695,000	1.26		
Cluett Peabody....	8,000,000	1.00	18,000,000	8.2
Manhattan Shirt...	3,000,000	1.00	5,000,000	5.6

Name of Corporation	Preferred Stock		Ratio of Tangible Assets to Preferred Stocks	Common Stock	Probable Per Cent Earned on the Common Stock (After Deducting Preferred Dividends from Net Profits)
Acme Tea.....	1st	2,750,000		3,500,000	
	2d	500,000	1.00		12.1
Jewel Tea.....		4,000,000	.99	12,000,000	11.1
Loose-Wiles.....	1st	5,000,000		8,000,000	
	2d	2,000,000	1.00		00.0
Continental Can...		5,500,000		8,000,000	
		5,500,000	1.00		5.0
Armsby Co. of N. Y.		500,000	2.00	420,000	26.9
Sears Roebuck.....		10,000,000	1.00	30,000,000	5.8
National Cloak & Suit.....		5,000,000	1.00	12,000,000	8.0
Griffin Wheel.....		6,000,000	1.41	9,300,000	12.9
Kelsey Wheel.....		3,000,000	1.00	10,000,000	7.5
Pettibone Mulliken.	1st	2,250,000		7,000,000	
	2d	750,000	.82		5.6
Burns Bros.....		2,000,000	1.25	5,500,000	6.3
Owens Bottle Machine.....		7,000,000	1.92	9,000,000	27.5
Underwood Typewriter.....		5,000,000	1.00	8,500,000	4.5

There were two mail-order houses, two wheel manufacturing companies, and four miscellaneous companies.

The ratios of the tangible assets to the preferred issues furnish the basis for some reasonably satisfactory generalizations. The average of the figures in the second column is about 1.39. In other words, the amount of preferred stock issued by the companies, studied in the table, was roughly seven-tenths of the tangible assets. In more than one-third of the cases recorded the preferred stock was about equal to the tangible assets. The fact that the average is as high as it is can be explained by several causes; first, earlier in the history of these industrials when preferred stock of this kind was not so well known, some of the issues were more conservative; second, the smaller companies, which were comparatively less stable, had to be more careful in their financing; third, industrials like the agricultural implement companies, the earnings of which seemed likely to be subject to great fluctuations, were wisely

somewhat conservative in their preferred issues. All these factors tended to make the average for this table higher than the figure which represented the usual practice, that is, the practice which obtained in the largest number of flotations.

The average of the percentages earned on the common stock of these companies was 9.7; yet in most cases the percentage lies somewhere between 5 per cent and 7 per cent. Here, too, the usual percentage was considerably lower than the average for this table. This disparity is due to the large percentages earned by the common stocks of the smaller industrials. All those companies which earned more than twenty per cent on their common stock, with the exception of Goodyear, were small and not so well known, for example, Armsby, Owens Bottle Machine, Kelly-Springfield Tires, Ajax Rubber & Tire, Hart-Parr, and McElwain Shoe. The per cent earned by the common stock of the better known industrials is surprisingly low. Sears Roebuck, Underwood Typewriter, Continental Can, Studebaker, Brown Shoe, F. W. Woolworth, Manhattan Shirt, and Hart, Schaffner and Marx, started with common stock issues which were very large when compared to their past earnings. The first six of the eight industrials mentioned were the work of the bankers, Goldman, Sachs & Co. The common stocks bought out by these bankers are usually listed and traded in on the New York Stock Exchange immediately after the incorporation. This would seem to indicate that some of the most important of the common stock issues—those which were released by the owners and sold to the public—have been the least conservatively capitalized. True, these companies had been enormously successful as private businesses and anticipated futures which seemed to justify large issues of common stock.

There is one important question as to the difference between those common stocks which were held by the owners and those which were sold in the market. When a private business was incorporated or when a closed corpora-

tion was reincorporated so that the preferred stock could be sold, the control of the common stock, theoretically, was held by the owners.[5] The common stock with its voting power was the means by which they controlled the business. Apparently one, of the most useful arguments employed by the bankers who were trying to persuade a large merchant to incorporate was that by so doing the intangible values, or goodwill, and the surplus earning power could, thus, be capitalized and sold. If at the death of one of the two partners, who owned a business with tangible assets values at $2,000,000, but with yearly earnings of about $400,000, and if the widow of the deceased were paid off by the surviving partner with $1,000,000, she could count on an income of $60,000 at best, whereas before her husband's death their income had been $200,000. If these partners had been incorporated they could have sold $2,000,000 worth of preferred stock; each one might have withdrawn his million and, yet, with $4,000,000 worth of common stock they would have controlled the business and its surplus earnings. At the death of one of the partners the widow would receive $2,000,000 worth of common stock besides the $1,000,000 withdrawn by her husband when he sold the preferred. The banker explained further that there was a method by which this widow could be put in a position to dispose of her common stock if at any time she so desired. All that the owner had to do was to give the banker a large enough slice of the common issue so that he could put it on the market and, thus, advertise it. Then, at any time, the large holder of the common stock could unload. However, the careful banker tried to keep the owner from selling his common until he reached the age of retirement. It was to the interest of all that the men who had been responsible for the success of the business should hold the reins as long as possible.

There is a well-marked difference between those common stock issues which were to be held by the owners and those

[5] Jones Bros. Tea Company sold the common stock and held the preferred stock, but this was exceptional.

which were to be sold in the market. Obviously it made very little difference to the owner whether the common stock was divided into a million or into four million parts, provided he held it all. Thus, companies like Kelley-Springfield (the early issue), Ajax-Grieb, Hart-Parr, McElwain Shoe, Armsby Co., and Owens Bottle Machine earned between twenty and thirty per cent on the common stock. Even where common stock was marketed, small companies like those mentioned were obliged to offer especial inducements because of the advantages of larger, more stable, and better advertised companies. The reason why the larger and the better known industrials showed such small earnings on the common at the time of incorporation is explained paradoxically enough by the difficulty of selling industrial common stocks at a high price. It was difficult to market at par what most people usually considered water. The larger the amount, the lower was the price that could be put upon it. But it was not an immediate market which was anticipated. The owners hoped for large earnings in the future and they desired to be in a position to sell the rights to these earnings—in the form of common stock—to the best advantage.

There are corporations represented in the table that earned nothing on their common stock. The amount necessary to pay the preferred dividends completely covered the probable earnings. Two such companies were the Maxwell Motor Co. and the Loose Wiles Biscuit Co. A very interesting fact is that both of these companies had second preferred stock. A natural deduction would be that the owners of those compaines, which earned nothing on the common stock, took the second preferred stock so as to assure themselves a dividend. There are twelve companies in the table which have second preferred stock: two show no earnings on the common stock; one shows only 1.3 per cent; and four show very low percentages. However, three or four show earnings considerably above the average. It is worthy of mention that five of the twelve companies noted were sponsored by William Salomon & Co., a firm which seems partial to second preferred stocks.

Some important facts emerge when these industrials are divided into classes according to the kinds of business which they transacted. It is found that the corporations which had the highest ratios of tangible assets to the respective preferred issues are the agricultural implement companies, the rubber and tire companies, and the automobile companies. The average ratio for the agricultural implement companies was 1.85. When compared with the general average 1.39, this seems remarkably high. There are two possible explanations for the high ratio in the case of the agricultural implement companies. The agricultural implement stocks were brought out in 1911 and 1912 when these new industrials were just coming into prominence. Furthermore, this type of business seemed obliged to undergo great fluctuations in profits from year to year.[6] In all but one of these companies, however, the amount authorized was considerably higher than the amount issued. If the authorized preferred stock had been used to calculate this ratio it would have averaged 1.21 instead of 1.85. Another explanation of the high ratios applicable to all three industries is based on the fact that they all had large plants and expensive machinery.[7] This was not true of the department stores and the other manufacturing businesses.[8] The ratio of the preferred stock to the earnings may have been very much the same, but in these three kinds of companies the greater value of the tangible assets seems to explain the high ratios shown.

Studebaker was put out with a very conservative preferred issue. The ratio in this case was 1.77. After the explanations of the high ratios in the table, it is interesting to consider the facts in the case of Studebaker. When Studebaker was incorporated, the automobile business was not as highly developed as it is today. The bankers did not know at that time whether the automobile was merely a fad or whether the business was to develop stability. For this reason they were probably cautious. If the business

[6] See appendix i.
[7] See appendices i, ii, iii.
[8] See appendix iv.

had failed to develop, the real estate, buildings, machinery, and equipment, amounting to almost $10,000,000, would have been worth very little. The preferred issued, therefore, was covered by the inventories, which amounted to more than $14,500,000, and the amount authorized was very little more.

Generally considered, the earnings on the common stock of the agricultural implement companies and of the rubber and tire companies were high, whereas the earnings for the automobile companies were below the average. Inasmuch as the preferred issues of these companies were small when compared to the tangible assets, it is natural to ask whether the issues of common were correspondingly small when compared to the earnings. In other words, the possible relation of the figures in column 2 with those in column 4 is suggested. Was a conservatively issued preferred stock likely to be accompanied by a conservative issue of common? It is natural that there should be a certain relation between the figures in the second and fourth columns inasmuch as in both cases they are affected by the amount of preferred stock. If this amount is small not only will the ratio of tangible assets to the preferred be comparatively high, but the earnings on the common will be larger because of the smaller deduction necessary for the preferred dividends. An estimate of this relation in mathematical terms seems to show that the ratios in the two columns are not so closely related as one might expect. Furthermore, it is evident that there is a greater dispersion for the percentages in the fourth column than for the ratios in the second. Preferred stock issues in relation to tangible assets varied much less than common stock issues in their relations to earning power.

The principles deducible from the data given in the table, important as they are, do not furnish material sufficient to construct any complete theory of capitalization. They are valuable as evidence and as proof of a theory which anyone, who is familiar with these industrials, might have evolved. The amount of preferred stock issued was, to

some extent, dependent upon the particular reason for the flotation. If the owners wanted to withdraw a certain sum and felt that it was best to pay off a part of the indebtedness at the same time, the size of the preferred issue was influenced by these desires. True, the preferred issued was seldom more than the tangible assets; yet, how much less it was, was determined by the purposes of the owners. The period in which the stock was floated, the condition of the market at the time, and other factors determined the capitalization rather than any abstract principle. When a business had large tangible assets or when there was some particular need for caution, the bankers probably insisted upon an abnormally conservative ratio of tangible assets to preferred stock. In short, the size of a preferred stock issue was determined chiefly by the amount of money which the managers of the flotation could obtain with safety from the public at the time. The reason why in such a great number of cases the preferred issue was equal or almost equal to the tangible assets is explained by the desire of the owners to obtain as much money as possible. When there was an abnormally small amount of preferred, the issue seems to have been merely a more convenient method of obtaining money than that of borrowing from the banks or selling bonds. The amount of preferred stock may at times have had less direct relation to the value of the assets or to the earning power of a business than it had to the specific needs which prompted the incorporation.

Some of these companies showed earning on the common stock (see page 44, column 4,) as low as nothing and others as high as thirty per cent. Those common stocks which showed no earnings represented mere anticipations of future profits. Those which earned abnormally high percentages were usually held closely, and were not sold in the market. They were associated with small preferred issues; these flotations were, as it was explained before, merely methods of borrowing a small sum from the public in preference to getting it from the banks. If the common stock was to be kept by the owners, it made little difference to them into

how few shares it was divided. If it was to be sold, the amount was determined by the conditions of the market. It was divided so that the shares could be sold for a low enough price and so that the aggregate would net for the sellers the amount that they desired. Somewhere between five and six per cent was the usual amount earned on the common, because stock capitalized in this way was most profitably marketed. The relation between the figures in the second and fourth columns shows that there is no reason to believe that there was any definite theory of capitalization which generally influenced the incorporators.

CHAPTER VI

The Seven Per Cent Preferred Stocks and their Provisions

The kinds of securities which were created for these companies constitute an important part of this study because these businesses were incorporated in most cases merely to sell stock and because the stock sold was different in certain respects from any that had been issued before. There were three kinds of securities which might have been issued—bonds, preferred stocks, and common stocks. The widespread use of preferred stocks instead of bonds is a matter of some interest. Did these companies issue preferred stocks rather than bonds because bonds represented mortgages on the property, or because bonds called for a regular interest even in times of depression? Were investors satisfied with preferred stocks because they realized that a business of this kind could furnish no real security for a mortgage? These are questions which cannot be answered until after the development of preferred stock has been traced and the actual provisions of the modern preferred stocks have been analyzed.

In England during the seventeenth century there was the gradual emergence in the joint-stock company of a division of the whole capital into different classes with special rights. In the case of the new East India company, the stock as such was divided into separate classes, each of which had distinct rights, the original stock being entitled to eight per cent, paid by the government, and to certain contingent advantages, while the additional stock was to receive the profits made in trading.[1] Out of this differentiation of stock in England there developed the debentures which were like our bonds except that they embodied no

[1] Scott, vol. i, p. 364.

mortgage feature. In "The Minutes of Evidence taken before the Select Committee on the limited liability Acts," 1867, there was an interesting discussion of the use and the rights of debentures in limited liability companies. It was stated there that debentures had been issued to obtain new capital when the company did not want to make calls on the original share holders. The rights of the debenture holder with respect to the assets, the earnings, and the creditors of the company, as there outlined, were similar in many respect to those of the preferred share holder.

There were two specialized uses to which preferred stock was put in the earlier development of corporation finance in the United States. When the corporate form was used as a financial instrument for combining individual businesses, preferred stock was a common feature in the financial plan. The owners who surrendered their businesses to the corporation, received in many cases a certain percentage of preferred stock as well as common stock. This preferred stock had a priority over the common stock mainly with respect to earnings. It was very much like the English debenture and merely represented a differentiation in capital stock. The other use of preferred stock was one common in railroad finance. A writer in 1897 stated that the majority of preference shares in the hands of the public at that time had been issued by the railways as evidences of debt which the exigencies of the time required should be deferred,—perhaps some peculiar obligation not then easily paid; but more frequently, such preferred shares had been given to bond holders who were compelled by the insolvency of the company to yield something of the principal and interest of their debt.[2] In the reorganization of the Chesapeake and Ohio Railway in 1888 the bond holders consented to readjust their claims without foreclosure, and took as part payment for the old bonds a certain percentage of first preferred stock. Eleven years earlier in the case of the Lake Superior and Mississippi Railroad which was

[2] T. L. Greene, Corporation Finance.

sold under foreclosure to the holders of its first mortgage bonds, these bonds were exchanged for preferred shares at the rate of $1200 of such shares for each bond of $1000.

The new seven per cent preferred stocks differed materially from both of these. They had both bond features and common stock features. Although the type of seven per cent cumulative preferred stocks employed by the new companies was not fully developed until the rise of these industrial corporations in the present century, there had been some very considerable issues of industrial preferred stocks before that time. In 1890 the H. B. Claflin Company was formed in New York City to take over the jobbing business of H. B. Claflin and Co. The new company had a capital of $9,000,000 divided into first preferred stock, bearing cumulative dividends of five per cent, second preferred stock, bearing cumulative dividends of six per cent, and common shares covering nearly one half of the capitalization. But this preferred stock of H. B. Claflin and the other preferred stocks which were issued before the rise of the new industrials were merely stocks with a certain priority and fixed dividend. The safety features exemplified in the new seven per cent preferred stocks were not present.[3] There was no possibility of standardization in the preferred stocks of the older period because they varied in rôle with every incorporation.[4] They had an indefinite position somewhere between bonds and stocks. They paid dividends anywhere from four per cent to eight per cent and higher; sometimes they were cumulative and sometimes they were not.

The new industrial preferred stocks constituted a definite class of financial instruments; and although there were differences in the provisions of different issues, these were usually of minor importance. Practically all of the stocks paid seven per cent, and all were cumulative. When Spicer was put out with an eight per cent cumulative dividend in 1916, the bankers probably offered the extra

[3] One of the earliest mutual insurance companies had a temporary capitalization of seven per cent preferred stock.

[4] Except perhaps in their use in railroad reorganizations.

one per cent as a special inducement at a time when the market was teeming with so-called speculative issues. The necessity of the cumulative feature was evident; a preferred stock would have been little better than a common stock if the company could have deferred the dividend with impunity. The regular per cent paid on the preferred stock and the cumulative feature were similar in nature to bond provisions. Most of the rights of the preferred stock holders, as set forth in the articles of incorporation of these industrials were directly or indirectly provisions for safety, and as such made preferred stocks still more like bonds. These provisions were engrafted on what would have been ordinary shares of capital stock. Consequently, the differences between bonds and stocks may be used conveniently as a basis of classification of these provisions.

The bond is ordinarily a charge on a specific piece of property,—naturally the property should be as valuable, if not more so, than the amount of the bond issue. Practically every issue of preferred stock in the new industrials was covered by the tangible assets of the company, even where there was no specific mention of this limitation in the certificate of incorporation. What was embodied in practically every certificate of incorporation was the requirement that the consent of three-fourths of the preferred stock holders should be given to any increase of the authorized preferred issue or to any mortgage, which would naturally take precedence over the preferred stock. These provisions as they appear in the Certificate of Incorporation of the Continental Can Co. are typical:

(4) The amount of preferred stock shall not be increased nor shall any stock having any preference or priority over said preferred stock be issued unless such increase or such issue shall have been previously authorized by the consent of at least three-fourths in interest of the then issued and outstanding stock of the Company of each class (both preferred and common) given separately, in person or by proxy, at a meeting specially called for that purpose. . . . (9) No mortgage, lien or encumbrance of any kind upon any part of the real or personal property, assets, effects, undertaking or goodwill of the Company, shall be created or be valid or effective unless the same shall have been previously authorized by the consent of the holders of at least three-fourths in interest of each class of outstanding stock of the Company (both Preferred and Common) given separately in person

or by proxy either in writing or at an annual meeting or at a special meeting called for that purpose; but this prohibition shall not be deemed or construed to apply to, nor shall it operate to prevent, the giving of purchase money mortgages, or other purchase money liens on property to be hereafter acquired by the Company, or the acquisition of property subject to mortgages, liens and encumbrances thereon then existing, nor to the pledging by the Company as security for loans made to it in the regular and current conduct of its business or notes or accounts receivable or other liquid assets or of any stocks, bonds, or other securities owned by it.

If the tangible assets did not depreciate in value, the preferred issues would always be covered by specific property. Some companies not only restricted any increase in the issue of preferred, but attempted to make sure that the preferred issue should bear a certain relation to the tangible assets. They forbade any dividends on the common stock unless the preferred bore a certain definite relation to the assets. In the Certificate of Incorporation of The Brown Shoe Company, it was stated:

In no event shall any dividend whatsoever be paid or declared on the Common Stock, unless the net quick assets of the Company and of its subsidiary corporations as disclosed by the then last statement or report of the Company, certified by certified public accountants of good standing, shall have been at least eighty per cent (80 %) of the total amount of preferred stock then outstanding, and the total amount of the net tangible assets of the company shall have exceeded the amount of preferred stock by one million dollars.

In the Fisk Tire Company, no dividends could be declared on the common stock unless the net quick assets of the Company were at least equal to one hundred and twenty-five per cent of the par value of the first preferred stock of the Company outstanding. In the Willys-Overland Company of 1912, no dividends could be declared on the common stock unless the net quick assets were equal to one hundred and twenty-five per cent of the outstanding preferred; in the Willys Company of 1916 the net quick assets were to be one hundred and ten per cent of the preferred before any dividends over six per cent could be declared on the common. In the M. Rumely Company, the net quick assets were to exceed the preferred stock, and in the Loose Wiles Biscuit Company, the net quick assets were to be equal to one half of the preferred stock

before any dividends on the common were allowed. The purpose of these provisions seems to have been the desire to assure the preferred stock holder of the company's ability to pay him the par of his investment and even a premium added thereto in case of liquidation. In those cases where the net quick assets were to be sufficient to cover the preferred issue, he was assured of a speedy payment of his claims.

In all these provisions, however, there was one feature which complicates the matter somewhat. The restriction upon the payment of dividends on the common stock was not only intended to assure the preferred stock holder of the mortgage value of his investment but also to make certain the continuance of his dividends. The preferred issue was limited so that there would not be too many claimants for the funds available for dividends; and the declaration of dividends on the common stock was also limited so that there would be a large enough fund available for preferred dividends to be paid in the future. In the majority of cases the provisions of the certificates of incorporation were intended to dispel the fear which might otherwise have attacked the preferred investor,—the fear that the company would distribute more to the common stock holders than was consistent with safety.

Certain other provisions found in the cases of these preferred stocks look also primarily to the protection of the dividends of the preferred stockholder. In the Underwood Typewriter Company and in the May Department Stores Company, salaries were limited to $60,000 a year. In the first case this amount could be increased if the net earnings passed the million mark; but even then only to the extent of six per cent of the earnings. In the May Department Stores Company this limitation was to last for three years; thereafter, the amount to be paid in salaries could be increased by a sum equal to one-half of one per cent of the sales. In the Henry Sonneborn Company, too, such a limitation on the amount available for salaries was incorporated in the provisions intended to protect the

dividends of the preferred stock holders. In the Julius Kayser Company there could be no expenditure (in cash, stock, bonds, debentures, or otherwise) in the aggregate exceeding $200,000 for the purchase of additional mills or properties, or in otherwise adding to the corporations existing fixed capital assets, unless at the time of the authorization of such expenditure the net quick assets of the corporation were equal in amount to the par value of the first preferred stock outstanding, plus the amount of such expenditures.[5] In the Brown Shoe Company the issue of the full amount of authorized preferred stock was contingent upon the earnings being twice the preferred dividends. In the Owens Glass Bottle Machine Co. the vote of the preferred stock holders was not necessary in order to increase the issue; but no new preferred stock could be issued unless the earnings for the last year or the average earnings for three years were equal to two and one half times the dividends on the preferred stock, including that which was to be issued, and unless the outstanding preferred issue plus the new preferred issue was less than seventy-five per cent of the net assets of the company including the assets to be acquired from the issuance of the additional preferred stock.

Whether or not the mortgage feature of a bond is valuable because it pledges a specific property, it certainly constitutes a valuable weapon in the hands of the bond holders, who have a contingent right of foreclosure. The preferred stock holder was given a somewhat similar weapon. With few exceptions the preferred stock holder, like the bond holder, had no vote in the affairs of the company.[6] However, if there was any default in the payment of preferred dividends, the preferred stock holders were given voting power. In some of the earlier industrials, for example, Underwood Typewriter, May Department Stores, Studebaker, the preferred stock holders were to assume control after two quarterly defaults; in the majority of cases four quarterly

[5] Otherwise two-thirds of the preferred votes had to consent to such expenditure.

[6] Exceptions were Loose Wiles, Goodyear, Pettibone Mulliken.

defaults were necessary, although in Rumely only one default, and in Armsby as many as eight defaults were to precede the assumption of control. In some cases the preferred stock holders were to vote as a class, with the common stock holders voting as a class, after the specified number of defaults. In the great majority of cases, however, the preferred stock holders were to take over the entire control of the company, in case of its inability to pay their dividends.

It seems reasonably clear that, except in those cases where the contrary is distinctly stated, the directors have the right to sell the assets of the corporation without the consent of the stock holders. In some cases, this right was modified. In the Underwood Typewriter Company the preferred stock holders had the right to assume control after two consecutive defaults in quarterly dividends; but their right of disposal of the property was limited by a provision which made it impossible for the directors of the corporation to sell any part of the assets without the consent of three-fourths of all outstanding capital stock of the company,—each class of stock voting separately. Thus, the common stock holders could have prevented the dissolution of the company. Furthermore, in those cases where the default in a certain number of quarterly dividends gave the preferred stock holders only a joint control with the common, the assent of the common stock was necessary before any disposal of the assets was possible. But in the great number of instances the preferred stock holders were to assume the entire control after the specified defaults, and would thus be in a position to effect a sale of the company through the directors whom they elected, unless the directors were restricted by some provision of the certificate of incorporation.

It is probable that the common stock holders in most cases would have voted against dissolution, since the preferred stock holders were entitled to the par value of their holdings and in most cases a premium, before any other distribution of assets to the common stock holders was

possible. The practice with respect to the payment of premiums was of two kinds. In the case of Emerson-Brantingham, upon dissolution, voluntary or involuntary, the holders of the preferred were entitled to be paid in full $115 per share and unpaid accrued cumulative dividends thereon, before anything was paid to the holders of the common stock. However, the more common provision was that which is exemplified in the following quotation from the Pettibone-Mulliken certificate: "In the event of any liquidation or dissolution or winding up of the Corporation the holders of record of the First Preferred Stock shall be entitled to be paid in full the par amount of their shares, and, in the event of any voluntary liquidation dissolution or winding up caused otherwise than by bankruptcy or insolvency, a further amount equal to fifteen per cent of such par amount, and all accrued dividends." The theory was that in case of difficulty and involuntary dissolution the preferred stock holder was entitled to the par value of his investment; but in a voluntary dissolution which might be the result of a desire on the part of the common stock holders to get rid of the preferred stock, the preferred stock holders were to be paid a premium. This premium varied from ten to twenty-five per cent of the par value, and coincided with the redemption price offered by the company when it called in the preferred for the sinking fund.

Perhaps the most characteristic of the bond features which was engrafted on the preferred stock was the sinking fund provision. The bond is a debt of a company. Except in the case of certain special classes of securities, for example, railroad bonds, the investor had usually demanded that provision should be made in the loan contract for the extinction of the debt from earnings. Either a certain amount of the bonded debt is paid each year until all of it is wiped out, or provision is made for the accumulation of a fund which eventually will retire the entire issue. Both of these methods of amortization were used in the different preferred issues. Practically all of the companies here considered were required to provide a specified sum

of money each year to be used in the retirement of the preferred stock.[7] In those cases in which immediate redemption was required, it was provided that if the stock could not be purchased in the market below a certain price, known as the redemption price, shares were to be called in. Usually a certain proportion of each preferred share holder's holdings was to be called for redemption. In very few cases was redemption by lot provided for. In Rumely Co., Manhattan Shirt Co., Armsby Co., Continental Can Co., National Cloak and Suit Co., and Jewel Tea Co., the method to be used in calling for redemption was left to the judgment of the directors.[8]

One of the simplest serial redemption provisions was that of the B. F. Goodrich Company.

> The Company shall annually, out of the surplus profits of the Company, if sufficient, after all cumulated and defaulted dividends (if any) upon said preferred stock shall have been paid, or set apart, acquire by redemption or purchase thereof in such manner as the Board of Directors may determine from time to time, but at not to exceed $125 per share plus accrued and unpaid dividends thereon, at least three per cent (3 %) of the largest amount in par value of said preferred stock that shall have been at any one time issued and outstanding. If less than the said amount of preferred stock shall be acquired by the Company in any year the deficiency (before any dividend on the common stock shall be paid or set apart) shall be made good out of the surplus profits in subsequent years.

Three per cent of the preferred issue was to be withdrawn each year until after thirty-four years the preferred stock was all to be wiped out.

In a few companies, a specified sum of money was to be set aside each year, but the use of this money or of all of it for the immediate purchase and retirement of preferred stock was not imperative. For example, in the certificate of incorporation of Julius Kayser and Co., it was provided that the company was to put aside $200,000 each year, and to spend $150,000 of the fund in the redemption of preferred stock. In the Brown Shoe Company and in

[7] The only exceptions were some of the early industrials, e.g., the United Cigar Manufacturers.

[8] The Henry Sonneborn Co., when it was necessary to wipe out a certain amount of preferred, asked the preferred stock holders to state the price which they would take for their holdings.

Cluett-Peabody either 2½ per cent of the preferred issue was to be retired annually, or a sum of money sufficient to redeem such a percentage of the issue was to be put aside each year until after four years when, the aggregate of these sums being large enough to purchase 10 per cent of the issue, it was to be applied immediately to the purchase and retirement of preferred stock. Whether the compulsory retirement of preferred stock each year or the accumulation of a sinking fund—which was in extreme cases available for preferred dividends and, perhaps, even for actual business purposes in many industrials—was preferable from the preferred stock holder's point of view may be questioned. The compulsory retirement of the preferred stock was the usual method.

There are many evidences in these provisions that the preferred stock was looked upon as a form of indebtedness which it was the duty of the company to discharge as rapidly as possible especially if times were good. In practically every company no dividend could be paid on the common until the "Special Surplus Account" or the "Preferred Stock Sinking Fund," as it was variously called, had been provided for. Furthermore, no dividend over 4 per cent on the common was allowed in Underwood, May, Kayser, Studebaker, Woolworth, etc., unless there had been accumulated a considerable reserve over and above the special surplus account. In the case of Emerson-Brantingham, Willys-Overland, Jewel Tea, and others, somewhat higher dividends (6 and 7 per cent) were allowed; but before any dividends beyond this rate could be paid an additional surplus was necessary. In some of the companies put out by William Salomon & Co. there was one very interesting type of provision. In these companies, if any dividend above a certain per cent was declared, the amount of the installment paid to the sinking fund had to be increased. In the Pettibone, Mulliken Company, if any dividends in excess of six per cent were paid upon the common stock, then the payment to the first preferred stock sinking fund next payable after the declaration of

such dividend was to be increased by a sum equal to the amount of dividends in excess of six per cent so paid upon the common stock. Emerson-Brantingham and Rumely had similar provisions. If the sinking funds of the new industrials were not kept up in times of depression the obligation was in most cases cumulative and the deficit had to be made up in subsequent years before any dividends on the common stock could be paid. In some cases these special surplus accounts were even available for preferred dividends in times of emergency; but it was always provided that there should be subsequent compensation for such withdrawals.

The review of the preferred stock provisions, which has been given, is sufficient evidence of the fact that the investment bankers, the lawyers, and the owners looked upon the position of the preferred stock holder as highly analogous to that of a bond holder. But there were important differences between the bond and the preferred stock. A summary recapitulation of the likenesses and of the dissimilarities of the two classes of instruments immediately leads to important conclusions. First, the size of preferred issues in some cases was restricted, as in bond issues by the tangible assets of the company. But the desire to limit the amount of preferred stock so as to be able to pay the preferred dividends was as strong a factor in this provision as the desire to keep the size of the issue within the value of the property of the corporation. Second, the requirement that the consent of three-fourths of the preferred stock holders should be necessary to any mortgage suggests the first mortgage feature of the bond; but the requirement of such consent to any increase of preferred stock seems to show that what the preferred stock holder was as much interested in was the fact that he had a prior lien on earnings. Third, the preferred stock holder like the bond holder had no voting power in the ordinary affairs of the company. However, if he did not receive a certain number of his quarterly dividends he had the right to vote. Thus, this contingent control was the weapon

he might use whenever he was not paid his dividends. Bond holders will not always sell the property; and seldom do they do so advantageously. Preferred stock holders were not always given the power to sell the corporation; but contingent control might prove as effective as the possibility of foreclosure in the case of the bond holder. Fourth, the amortization provision was a very characteristic bond feature, but the greater flexibility in application was characteristic of preferred stocks.

The preferred stock provisions underwent an almost continuous development. The first two industrials of this class were the United Cigar Manufacturers and Sears Roebuck. In the case of the United Cigar Manufacturers, there were no quasi-bond features attaching to the preferred stock beyond the provision that the dividend should be cumulative. There was a greater complexity in the provisions of the Sears Roebuck preferred; but it was not until later that the standard provisions were developed. The preferred stock holders were looked upon as a type of partners in these earliest companies, and in the absence of any provision for retirement, they remained partners. Subsequently, the United Cigar Manufacturers Company found it disagreeable to be forced to retain these partners after they could have dispensed with them. The preferred stock provisions in the incorporations that followed evidenced a change in attitude on the part of the owners and bankers. Preferred stock holders came to be considered as a lenient type of bond holder. Sears Roebuck at first planned to issue bonds, but they were shown the advantages of preferred stock and the desirability of being able to put off a dividend payment if necessary. The provisions for amortization in any issue of industrial bonds would have been severe; whereas preferred stocks could be retired in good times and kept out in times of depression.

The writers who have argued that these industrial corporations did not have large enough values in tangible assets for bond issues were certainly in error. Sears Roebuck, B. F. Goodrich, Deere, Studebaker, F. W. Woolworth

—all these businesses might have issued bonds instead of preferred stock. As a matter of fact, Deere and Studebaker did have small bond issues. It was not the lack of assets, but the variability of earnings which turned the scale in favor of preferred. These industrials, from their very nature, showed great fluctuations in earnings. The greater elasticity of the preferred stock was preferable to the rigid requirements of the bond. Instead of six per cent bonds, seven per cent preferred stock was issued. It was better to pay an extra one per cent for money when it could be borrowed on easier terms. The easier terms consisted in the possibility of letting a few dividend payments slip by, or in neglecting the sinking fund temporarily.

From the investor's point of view the preferred stock was practically as good as the bond. Conclusive proof of this is offered by the fact that those bonds which were put out by similar companies sold on about a six per cent basis, which was practically the basis on which the better preferred stocks sold. The interest on a bond in an industrial with great fluctuations in earning power might have received more immediate attention than the preferred dividends, but this prompt payment might have been detrimental even to the bond holder's ultimate interest. The preferred stock holder's position was practically as good as that of the bond holder except for the fact that he had no absolute mortgage on the company's assets. The possibility of contingent control and the prior lien on assets was not thought of primarily as a mortgage right; it was merely a weapon, and constituted a safeguard of a kind no different, for example, from that which results from the election of honest directors. Those preferred stocks which carried with them the greatest potential rights to effect dissolutions probably sold at no higher prices than those which had the smallest amount of contingent control.

Naturally, the subject of bond issues in these industrials is not of great importance. The difficulty of the Rumely Company when it was unable to meet its interest obligations was evidence of the danger of a bond issue for a new com-

pany with great fluctuations in earning power. Studebaker converted large outstanding liabilities into an issue of $8,000,000 of 5 per cent serial gold notes, which were retired rapidly. This bond issue occurred only a year after the original flotation and was the result perhaps of the under-capitalization of the preferred issue. There were no reasons, other than technical ones, why Studebaker did not issue more preferred stock rather than bonds. Stern Bros. changed a bond issue into one of preferred stock, but merely for reasons of taxation. Deere and Co. had a bond issue before the preferred stock flotation, and retained it after the flotation.

CHAPTER VII

The Success of the New Industrial Corporations

A valuable judgment as to the success of these flotations would require as its basis a longer experience than is available. A record of only a few years, affected by such an abnormal influence as the European War, makes the task of generalization difficult and of doubtful value. There are at least four different points of view from which their success might be appraised. The owner, the banker, the investor, and the public undoubtedly had different opinions as to what constituted success. In many respects there was agreement, but the conflicts of interest were numerous.

The owner's primary interest was the net profits. After incorporation, as before incorporation, he was interested in having his business make more each year. Provided he held the common stock or a part of it, he wanted large earnings. It made little difference whether those shares represented large or small portions of the business; the more the business made, the more he received. The assumption was that the man who managed the business held the bulk of the common stock. The bankers, in many cases, as has been said, tried to enforce this, if only for a limited number of years. If the man or men who managed the business did not own any considerable part of the common stock, the owner (in the sense that he is defined here) did not really exist, as an independent factor. Of course, the owner may have had a great temporary interest in the price of the preferred stock, if he wanted to unload a block of his preferred holdings. But generally speaking, the actual earnings over and above all preferred dividends were the owner's principal concern.

The banker, too, was interested in earnings, because they affected the securities which he had created. The good

reputation of the preferred stocks, which he had sold his customers, was a matter of great importance to him. Upon their safety and their dividend paying regularity his reputation rested. Furthermore, inasmuch as he had received common stock bonuses in return for his work, he had a direct interest in the price of the common stock. The banker's interest was, thus, closely allied to that of the investor. However, the buyer of preferred or common stocks may at times have had a very different point of view from that of the banker. The buyer of preferred stocks may not have considered only regularity of dividends; he may have bought for a rise. The bankers and the buyers of common stock may have had very different ideas as to what policy was proper with respect to common dividends.

How the flotation of these companies on the stock exchange affected their earnings is not an easy question. In some cases the increase in net profits after incorporation was due to an accounting technicality. If a business used any of the proceeds from the preferred to pay debts on which it had been paying interest, its earnings for dividends were increased since the interest paid before incorporation was subtracted, whereas no part of the preferred dividend was deducted in computing profit. It might be conjectured that the new method of financing, made possible by these flotations, may have brought about an increase and even a greater stability in earnings. On the whole, however, those companies, from which the owners withdrew the proceeds obtained from the sale of the preferred, showed as great and even greater success than the others.

The companies which had the least success were the agricultural implement companies. (See last two tables at the end of this chapter.) Some of them had issued bonds before the general spread of the new form of capitalization but not to the same extent as in the subsequent period. These companies had had great fluctuations in earnings before 1911 and 1912; but the greater possibility of marketing securities after flotation may have helped to bring on the disasters which they suffered.[1]

[1] See appendix i.

One bad effect of the flotation of these businesses, which was indirectly prejudicial to the owner's interest, was the belief in certain cases in the necessity of declaring and paying common stock dividends, which were not earned. In 1914, when Brown Shoe had no justification whatsoever, a dividend of 3 per cent was declared on the common stock. Manhattan Shirt declared a dividend in 1915, after three years of steady fall in earnings. The May Department Stores Co., in the same year continued a dividend of 5 per cent when its earnings offered no justification for such a policy. The need of a good showing and the publicity attendant upon these dividends probably suggested a degree of generosity which a private corporation would not have considered.

The effect of the advertising value of these flotations on the earnings was believed to be considerable. In the report of Loose Wiles for its bad year 1915, the president of the company exhorted each stock holder to become a patron and "rooter" for the Sunshine biscuit. The effect of being listed on the stock exchange on the businesses of Woolworth and Kresge may seem inconsequential; nevertheless, those in a position to know believed it a matter of some value. In the case of B. F. Goodrich, of Sears Roebuck, and of Underwood Typewriter, the flotation was said to have furnished effective advertisement.

A study of the actual earnings of these companies before flotation, as given in a preceding chapter, shows that the most successful businesses from the point of view of the owner were those whose earnings were stabilized either because they satisfied varied demands or depended upon the supply of no one particular raw material. The chains of five and ten cent stores and Sears Roebuck were the most successful industrials because they were not seriously affected by any one local or particular disturbance. (See tables at the end of this chapter.) No one section of the country, no one raw material, no one demand was able to do them injury. These conditions were not altered by the reincorporation of the companies. The May Department

Stores was too small a chain not to have been affected by the local difficulty which the Pittsburgh store encountered. The Brown Shoe showed decreases in earnings because of the fall off in the local demand, and B. F. Goodrich because of the decline in the value of its inventories of raw material.

There was another class of persons who held common stock besides the owners and the bankers, namely, the investors. As has been explained, the owner was not ordinarily so vitally interested in the actual value or yield of each particular share of common stock, but the banker and the buyer of such stock did have that interest. As far as dividends on these common stocks were concerned, there were not a great many paid. The price of the common stocks, however, rose in most cases with the natural increases in earnings; and most of them shot up to high figures after the outbreak of the European War. On the whole, these industrials paid their preferred dividends but few of them showed any regularity in dividends on the common.

The effect of the capitalization on the subsequent history of these common stocks is very interesting. Other things being equal, a conservatively capitalized common stock was naturally more valuable than a less conservatively capitalized one. But those companies which had comparatively large common issues at the time of incorporation (that is, companies which showed a small percentage earned on the common) were less tempted to declare dividends even though their earnings might have increased as rapidly as those of the more conservatively capitalized companies that did declare dividends. These did not pay dividends partly because the dividends which they could have declared would have been insignificant. Thus, the money was returned to the business and expansion was possible. Of course, Studebaker had a bad year in 1913; but afterwards the policy of not paying common dividends brought good results, whereas Willys-Overland did a remarkable business all along, but paid large dividends, some of which perhaps ought to have been returned to the business. Hart,

Schaffner & Marx showed only 3.9 per cent on the common at the time of incorporation. In the first year thereafter, even less was earned on the common, but as the earnings improved they were not distributed in dividends. Nothing was paid on the common until the small dividend of one per cent in 1915. Hart, Schaffner & Marx was unable to pay large common dividends, and thus kept the surplus earnings in the business for purposes of expansion. This raises the question as to whether those companies which were less conservatively capitalized were not in the end really better off. Of course, from the common stock holder's point of view the absence of dividends was not always looked upon so favorably.

An interesting illustration of the relation between capitalization and the payment of common stock dividends is furnished by a comparison of Woolworth and Kresge. Woolworth had a much less conservative preferred issue than Kresge but a much more conservative common one. Even though the earnings of Kresge advanced as rapidly as those of Woolworth and at certain periods much more rapidly, Woolworth paid much more in common stock dividends. Kresge put all surplus earnings back into the business and as a result showed a much more remarkable expansion than Woolworth. From the point of view of the common stock holder the Woolworth method of financing was more advantageous in most respects; but from almost every other point of view the Kresge method led to safer and better results. (See tables at the end of this chapter.)[2]

The apparently fortunate outcome of what was actually often an over-capitalized common stock shows, on further study, a definite relation to another circumstance. Many of the companies which in 1911 and 1912 had large common stock issues pulled through because of the great increase in earnings resulting from the European War. Many companies, which would have been earning little or nothing on their common issues and would have paid no dividends, made great strides after the outbreak of the War.

[2] See appendix iv.

B. F. Goodrich had had a difficult time after incorporation, but the War brought it prosperity. And this is but one example. It is an interesting question whether it was the earnings on these common stocks or the dividends paid which had most to do with the price for which they sold in the market. Of course, the amount earned might have had less effect on the prices for the common stock in any year, as the report was usually not published until the end of the year. Furthermore, many buyers who made no extensive calculations were satisfied that where large dividends were paid there must have been large earnings. As a matter of fact, the prices of these stocks rose with the increases in earnings and the increase in the earnings on the common stock, but the effect of the actual payment of dividends on the prices of the common stocks was far more noticeable. The great increase in the earnings of Studebaker in 1914 had no effect on the depressed prices of the common, but the dividend in 1915, which, of course, was the result of great progress in earning power, sent the stock to a high level. Kresge and Woolworth common showed the great influence of dividends on the prices of these stocks in the market. Of course, dividends which were obviously too large did not have the same effect. The 4 per cent dividend paid by Cluett-Peabody in 1914, clearly a bad year for that company, caused only a small rise in the value of the common stock, which had never before paid a dividend. Too large a dividend, which might have hindered expansion and even have hampered the regular business of a company deceived no careful investor.

Certain special circumstances explain why some of these preferred stocks sold at a higher price than others equally as good. First, the larger and better known the company, the higher was the price of the preferred stock, other things being equal. Kresge's preferred issue was more conservative than that of Woolworth. Yet Woolworth preferred sold at a higher price than Kresge preferred.[3] Second, those preferred stocks which were listed on the New York

[3] The low redemption price of Kresge (110) undoubtedly influenced the selling price.

Stock Exchange sold usually at a relatively higher price than those on the smaller exchanges.

The failure of the preferred stocks in the agricultural implement companies was noted in the preceding chapter. It is enough to say that three of the six companies analyzed were unable to pay all their preferred dividends. With the exception of Maxwell and Loose-Wiles, there were few other companies which were unable to meet the preferred dividend requirements. Thus, on the whole, as far as dividends were concerned, these new industrial preferred stocks were successful. Furthermore, these stocks rose in value from year to year. Just what where the most important factors in the fluctuations of the preferred stocks is a difficult question. The factors, however, which might have been expected to have had an immediate influence on the price of the preferred stock were the tangible assets, the earning power, and the price of the common stock. Of course, the tangible assets and the earning power in any year had less influence on the prices of the stocks for that year from the fact that the reports were not published until the end of the year. Furthermore, the actual effect on the prices of preferred stock was much less considerable than might have been expected. The prices of preferred stocks seem to have been influenced more by the prices of the common stocks than by any other factor. The records of Kresge, Woolworth, Goodrich, Goodyear, and Underwood Typewriter are but a few of the many cases which illustrate this point.

The banker was naturally interested in the preferred stock in so far as his reputation depended to a large extent upon the success of the preferred issue. The actual holder of the preferred stock was the one most vitally interested. The banker cared chiefly about the safety of the yearly dividend and the absence of any material decline in the price of the stock. But the holder might have anticipated in addition an actual rise in value or an early redemption. On the whole, bankers and preferred stock holders were satisfied. With the exception of one industry and certain

other sporadic cases, the preferred stocks paid their regular quarterly dividends and rose steadily in value, as shown in the following table:[4]

Companies	1912	1913	1914	1915	1916	1917
Deere	100– 99	100– 91	99– 91	99– 85	99– 89	101– 91
Case	101– 99	103– 90	95– 80	90– 74	90– 82	88– 75
Rumely	103– 98	100– 33	40– 21	18– 2	43– 30	37– 19
Emerson-Brantingham	102– 98	101– 91	76– 72	—	—	—
B. F. Goodrich	109–105	105– 73	95– 79	114– 95	116–110	112– 91[a]
Goodyear	—	105– 97	102– 92	115–100	—	108– 92
Studebaker	98– 90	93– 64	92– 70	119–91	114–108	108– 85
Willys-Overland	101– 99	99– 80	96– 90	115– 95	117– 94	100– 92
Maxwell	—	35– 18	48– 22	104– 43	93– 65	74– 49
Woolworth	118–109	115–109	118–112	124–115	126–123	126–113
Kresge	105–100	102– 96	105– 99	112–104	12– 10	113– 83
Acme	—	—	—	—	98– 93	96– 92
Jewel	—	—	—	—	113–104	112– 90

It would appear that the values of the preferred stocks should have borne some definite relation to the values of the tangible assets behind them. Even if such a relation existed, it would have been complicated somewhat by the redemption values of these stocks. For example, Goodyear preferred stock, which up to 1915 was much better secured than B. F. Goodrich preferred stock, never sold above $105, whereas B. F. Goodrich sold at $109. The redemption value of Goodyear preferred was $115 while that of B. F. Goodrich preferred was $125.[5]

No very definite relation between the prices of these stocks and their safety coefficients, that is, ratios of tangible assets to the preferred stocks, seems to exist. The earnings of the various companies must be taken into consideration. The prices of the agricultural implement preferred stocks reflected the general instability in the industry. The chain store preferred stocks were apparently the most stable investments.

[4] These prices were obtained from the Annalist and from Investors' Manuals.

[a] Ex-dividend.

[5] See appendix ii.

The ratios of the tangible assets to the preferred stocks were as follows:[6]

Companies	1912	1913	1914	1915	1916	1917
Deere	1.19	1.09	1.20	1.25	1.29	1.25
J. F. Case	—	1.75	1.84	1.89	1.93	1.98
Rumely	2.20	1.59	(b)	1.03	.99	.96
Moline	—	2.19	2.20	2.22	2.23	2.26
Emerson-Brantingham	1.45	1.49	1.45	1.46	1.46	1.53
B. F. Goodrich	—	—	.96	1.08	1.60	1.73
Goodyear	4.80	2.40	2.68	2.80	1.25	1.55
Studebaker	1.80	2.18	2.19	3.06	3.49	2.95
Willys-Overland	—	—	—	3.96	4.85	4.38
Maxwell	—	—	3.93	4.61	5.35	3.10
Woolworth	1.00	1.22	1.40	1.60	1.86	2.11
Kresge	1.22	1.50	1.70	2.25	3.40	4.21
McCrory	—	—	—	1.80	1.95	2.19
Acme	—	—	—	—	1.05	1.49
Jewel	—	—	—	—	1.49	1.74

A very much more definite relation between the earnings on the common stocks and the market prices of those stocks is clearly discernible. The following tables show how closely market prices and earnings were related. The net earning on the common stocks were as follows:[7]

Companies	1912	1913	1914	1915	1916	1917
	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent
Deere	12	8	— 3	3	19	14
Case	17	6	2	14	10	18
Rumely	13	10	−36	—	−165	−36
Moline	—	10	2/10	9/10	4	10
Emerson-Brantingham	—	3	− 9	−5	−5	8/10
B. F. Goodrich	5	1	5	6	12	14
Goodyear	125	74	59	58	36	62
Studebaker	6	4	14	27	26	9
Willys-Overland	—	—	—	53	40	21
Maxwell	—	—	12	16	21	31
Woolworth	12	15	26	23	20	17
Kresge	9	11	11	13	16	17
McCrory	—	—	—	—	7	5
Acme	—	—	—	—	10	11
Jewel	—	—	—	—	14	25

[6] These figures were calculated from data in Moody's Manuals of Industrials.

[b] Reorganization.

[7] These figures were obtained from data in Moody's Manuals of Industrials.

The market prices of these common stocks were as follows:[8]

Companies	1912	1913	1914	1915	1916	1917
Deere	101– 89	92– 13	18– 6	14–78	21– 14	18– 7
Emerson-Brantingham	77– 65	69– 22	—	—	—	14– 12
B. F. Goodrich	86– 60	68– 15	28– 19	80– 24	80– 57	61– 32
Goodyear	—	443–279	250–150	340–191	—	281–136
Studebaker	49– 30	36– 15	36– 20	195– 35	167–100	110– 79
Willys-Overland	72– 67	75– 50	91– 58	268– 84	81– 35	38– 24
Maxwell	—	1– 5	3– 16	92– 15	99– 44	61– 43
Woolworth	118– 76	112– 81	103– 89	120– 90	141–118	115–100
Kresge	89– 47	83– 58	105– 81	260– 99	16– 10[c]	13– 10[c]
Acme	—	—	—	—	96– 67	78– 31
Jewel	—	—	—	—	69– 51	58– 52

[8] These prices were obtained from the Annalist and from Investors' Manuals.

[c] Value of common reduced to a par of $10.

CHAPTER VIII

A Social Estimate of the New Industrial Corporations

It is a well known fact that the larger a business becomes, the greater is the need of some form of finance by flotation. Small undertakings can finance themselves satisfactorily through the commercial banks and from private sources, whereas large undertakings usually must have recourse to the public sale of securities. Perhaps because stocks and bonds are long time instruments they were once considered proper only for quasi-governmental enterprises, namely, railroads, public utilities, etc. As industrial enterprises have increased in size on account of the advantages of large scale production, the method of flotation has been employed more and more by industrial corporations. However, it is doubtful whether it is socially desirable that some of the businesses quoted on the exchange today should be there. It would have been, perhaps, to the interest of all concerned—investors, the bankers, and the owners—had the stocks of such businesses not been sold on the stock exchange.

One of the most important functions claimed for the stock exchange grows out of the speculator's assumption of risks and the resultant stabilizing effect on the stocks of companies with great fluctuations in earnings. There is, however, a limit to this doctrine. It is uneconomic for a business which could have been financed from private sources to impose large risks on the market, which is always best off when the fluctuations in it are small. The speculator, who is often as much gambler as student, is thus tempted to assume responsibilities which could better have been undertaken by the men who control the business of the corporation. Furthermore, instability in the earnings of an industrial corporation that affects only the common

stock is far less dangerous and much less important than an instability so great that the safety of the preferred stock is threatened. Preferred stocks, generally speaking, are reasonably safe investments; and a business which does not anticipate paying its preferred dividends regularly and easily has no right to sell such securities to the public. The greater the stability of a business, the more justification there is for shifting its risks to the market.

It may generally be said that the larger a business is, the greater will be its stability. However, size, as it is well known, is by no means the only element in stability. It was shown in the foregoing chapter that those businesses which catered to but a single demand and which depended upon the supply of only one or two raw materials, were the first to encounter temporary difficulties with disastrous results. The experience of the B. F. Goodrich Company, of the Brown Shoe Company, and of the Cluett Peabody Co. furnish good examples.[1] A company which finds the prices of its raw materials rising often cannot recuperate by an immediately increased price for the finished product. The customary price, which the Cluett Peabody Co. or the Loose Wiles Biscuit Co. had to maintain, could not immediately be altered when the price of linen or the price of sugar increased rapidly. Notoriously unstable businesses like the agricultural implement companies should never have been brought into the market. On the other hand the most successful companies have been those which catered to varied demands, that is, Woolworth, Kresge, Sears Roebuck.[2] The successful chain store company was particularly suited to flotation. The difficulty with the May Department Stores lay in the fact that the chain was so small that a local difficulty affected the success of the chain to a large degree. Companies with trade names that appeal to the popular imagination were thought by some bankers to be especially suited to public flotation.

One economic question which seems to have been par-

[1] See appendix ii.
[2] See appendix iv.

ticularly interesting to the bankers was concerned with the advantages of combining businesses as a basis of flotation. It must be understood that a combination, such as those of Woolworth or the May Department Stores, was very different from a combination like that of the B. F. Goodrich Company and the Diamond Rubber Co. In the cases of Woolworth and May, businesses were combined which did not compete with each other and which were but slightly affected by the combination. There was a single management, whereas before incorporation there had been a few independent businesses. When B. F. Goodrich and the Diamond Rubber Co. were combined, the healthful competition which had stimulated salesmanship and the trade name of the Diamond Rubber Co. were lost. When the banker who had brought about the combination of these two companies was to float a later combination of the same kind, he feared the same difficulties which he had encountered in the B. F. Goodrich Company. As Dewing has shown, few of the industrial combinations obtained a sufficient control of the trade to command prosperity.[3]

The financial exigencies which were responsible for the incorporation or reincorporation of these companies were classified, and described at length in a former chapter.[4] The owners, who invoked the financial aid of a flotation, and the investors and the bankers, whose security holdings were the results of these financial needs, naturally took great interest in the purposes of these flotations and had definite ideas as to how this new capital would be of advantage from their own particular points of view. Certainly the social estimate of the desirability of the employment of these large amounts of capital must take into consideration the interests of these agents in economic production, but it will take into account other interests as well. The personal motives of the owner are not hard to understand. Here was a great business which he had built up, in most cases, slowly and laboriously. As he was growing older he felt that it was desirable to sell stock to those who were

[3] Dewing, Corporate Promotions and Reorganizations, p. 565.
[4] Chapter iii.

anxious to get it, and thereupon he withdrew his invested capital. He did not want all his eggs in one basket, for if danger befell his business his declining years might be threatened with disaster. Of course, from an economic point of view, much depended upon what other baskets he chose for the eggs. Society is interested in the economic employment of capital. One of the most important functions of a bank is the transfer of capital from those who own it, but who do not know how to use it, to those who need it and know how to use it. Assuming that the owner who withdrew his capital was as wise in appraising other ventures as he had been in the promotion of his own and that his business experience through many years had made him even keener and more efficient, there is reason to believe that the capital which he withdrew was reinvested economically. However, if, with advancing age, caution and conservatism suggested the reinvestment of the capital withdrawn in government bonds, it is doubtful whether the effects of such a flotation were economically beneficial.

Those businesses which were incorporated in order to obtain working capital for expansion made, perhaps, the most legitimate use of corporation finance from an economic point of view. That this was recognized by the owners was shown in practically every prospectus which made a definite and open avowal of the purpose of procuring working capital for expansion. Expansion by means of the public sale of securities is a recognized method of corporation finance, but the question naturally arises as to whether many of these new industrials really needed or were justified economically in their use of the methods of corporation finance to obtain this capital. It was explained earlier in the chapter that those businesses which were small and which were lacking in stability had less justification for throwing risks on the stock market than those which were larger and more stable. Furthermore, the smaller businesses should have been able to finance themselves in the usual way through the commercial banks if they had good credit. The great expenses of the flotations must also be

considered. There is one other consideration of interest with regard to those businesses which obtained capital for expansion. Where a business borrowed money in the market instead of in the bank, or when it liquidated its outstanding liabilities with the borrowed capital, its credit was perhaps increased with the bank. A further issue of securities in a market which was acquainted with the company was also usually a possibility. Thus, the question arises as to whether these flotations did not allow and whether they might have even encouraged a too rapid expansion. The charter provisions with regard to the preferred stock[5] and with respect to borrowing in general as well as the publicity afforded by the annual statements were the most effective restrictions on the possible tendency towards a too rapid expansion. It was a common belief that the banker, who was usually a director, actuated by self-interest, wisdom, and conservatism, furnished a check on any policy of unwarranted expansion. As a matter of fact, the bankers usually had little control after the flotation of the stock. The charter provisions were their only weapons and safeguards. The banker who financed a business before its public sale had in many respects a much more effective control of it than he could have after if it had been financed by the marketing of its stock.

[5] Given in full in chapter vi.

APPENDIX I

Introduction

The four industries in which the capitalization of industrial goodwill has been most noteworthy are the farm implement industry, the rubber tire industry, the automobile industry, and the chain stores. For this reason brief analyses of the rise, spread, and success of stock flotations in these industries have been prepared. These analyses furnished material for a number of the conclusions reached in the foregoing chapters. The data for these analyses were obtained from Moody's and Poor's Manuals of Industrials, the Annalist, Investors' Manuals, and from other original sources.

Although some knowledge of accounting is indispensable for a thorough comprehension of these analyses, only a few terms need be explained for the general reader.

By "Sales" is usually meant "Net Sales," i.e., "Gross Sales," with deductions for "Outgoing Freight," "Discounts," and "Allowances."

By "Investment" is meant "Capital Stock," "Bonds," and "Surplus," with deductions for "Goodwill" and "Outside Investments." "Short Term Notes" would have been included if their duration could have been ascertained.

By "Tangible Assets" is meant "Capital Stock" and "Surplus," with deductions for "Goodwill."

By "Profit" is meant the accountant's "Gross Profit," i.e., profit and interest. In some places "Profit" refers to the accountant's "Net Profit," i.e., gross profit with bond interest deducted (as in the profit earned on the common stock).

The Farm Implement Stock Flotations

1. *The Reasons for the Preferred Stock Flotations*

The M. Rumely Co., together with the companies which it absorbed in 1911 (the Gaar Scott Co., the Advance

Thresher Co., and the J. I. Case Threshing Machine Co.), were the most important threshing companies in the industry. These large thresher companies stated at the time of their flotations in 1911 and 1912 that they desired to develop the manufacture of other kinds of farm implements, particularly tractors and portable engines. The Emerson-Brantingham Co., which had confined its output to "walking, riding, and engine plows, disc plows, harrows, pulverisers, seeders, planters, middle breakers, cultivators, listers, alfalfa renovators, stalk cutters, mowers, and rakes," acquired two new plants in order to develop a business in "tractors, threshers, hay stackers, hay presses, corn shellers, etc." The Moline Plow Co., which had manufactured wagons and plows, acquired by means of its second preferred stock the Adriance, Platt and Company, a large binder plant. The John Deere Plow Co., which had always been one of the most important plow manufacturing companies, developed under the name of Deere and Co. into the most important independent "full line" company.

In the Report of the Bureau of Corporations (March 1913) on the International Harvester Company, it was stated (page xx) that since the organization of the International Harvester Company in 1902 new competition had begun to appear, "especially from certain large plow and tillage-implement makers, whose fields have been invaded by the combination, and who likewise have arranged to establish a 'full line'—that is, a large assortment of the chief kinds of farm implements. This new competition is apparently of great significance. However, in 1911 the International Harvester Company still had about 80 per cent of the production of binders, 78 per cent of the production of mowers, and 72 per cent of the production of rakes."

Apparently the flotations of preferred stock by the independent companies represented the means by which they were enabled to develop "full lines" or, at least, new lines. The International Harvester Co. had invaded their fields, and they desired to wage offensive warfare.

In addition to this motive, there was probably another which influenced the threshing machine companies (J. I. Case and M. Rumely) to issue preferred stock. Parts of their preferred stocks were used to wipe off bonded indebtedness and other liabilities. This was particularly true of the J. I. Case preferred stock, which was to be used "to redeem and cancel all the outstanding bonded debt ($2,300,000), and along with bills receivable ($9,405,643) to retire the bills payable ($5,425,000) as well as for increases in plant and manufacturing facilities ($1,200,000)." The M. Rumely Company had $1,000,000 of bonded indebtedness which was wiped off by the preferred issue. The threshing machine was an expensive machine, and was usually bought on credit and paid for by installments. Thus, a threshing machine company had great difficulty in financing itself inasmuch as it had to extend so much credit. It should be noted, furthermore, that the Moline Plow Co. also desired to retire its floating indebtedness.

2. *Case, Deere, Rumely, Emerson-Brantingham, and Moline Before 1912*

The preferred stock flotations of the farm implement companies occurred in 1911 and 1912. A comparison of the accounts of the five independent companies in 1910 and 1911 will serve to estimate their success before their reincorporation.

Companies	Ratio of Gross Profits to Gross Sales (%)	Ratio of Net Profits to Gross Sales (%)
	1910	
Deere	13[a]	12[a]
J. I. Case	16	12
M. Rumely	10	5
	1911	
Deere	13[a]	12
J. I. Case	18	12
M. Rumely	15	13
Emerson-Brantingham	—	16

[a] Estimated.

3. *The Success of the Farm Implement Flotations*

The earnings of these companies on their investments between 1912 and 1917 show that they failed to obtain the success they anticipated in 1911 and 1912. Their reports, however, were better on the whole in 1917 than in the previous years.

The profits on investment were as follows:

PERCENTAGE OF PROFIT EARNED ON INVESTMENT

Companies	1912	1913	1914	1915	1916	1917
Rumely	10	19(b)	—	—	4	5
Emerson-Brantingham	—	7	Loss	.6	1	3
Moline	—	7	4	3	4	10
Deere	10	12	6	9	10	12
Case	9	8	6	9	8	13

4. *The Preferred Stock of the Farm Implement Companies*

The relations of the preferred stocks to the tangible assets for the five companies were as follows:

TANGIBLE ASSETS DIVIDED BY THE PREFERRED STOCK

	1912	1913	1914	1915	1916	1917
Deere	1.19	1.09	1.20	1.25	1.29	1.25
J. I. Case	—	1.75	1.84	1.89	1.93	1.98
Rumely	2.20	1.59	(c)	1.03	.99	.96
Moline[1]	—	2.19	2.20	2.22	2.23	2.26
Emerson-Brantingham	1.45	1.49	1.45	1.46	1.46	1.53

The preferred stock issues, thus, were conservative. Apparently no great amounts of money were put back in the business as the increases in the foregoing percentages were not great. However, the preferred stocks were not retired (i.e., amortized) so generally in these companies as in the case of most of the other industrials.

The prices of these preferred stocks were as follows:[2]

[b] Loss.
[c] Reorganization.
[1] Reports do not show exact amount of goodwill.
[2] Fractions omitted.

	1912, High–Low	1913, High–Low	1914, High–Low	1915, High–Low	1916, High–Low	1917, High–Low
Deere	100–99	100–91	99–91	99–86	99–89	101–91
J. I. Case	101–99	103–90	95–80	90–74	90–82	88–75
Rumely	103–98	100–33	40–21	18– 2	43–30	37–19
Emerson-Brantingham	102–98	101–91	76–72	—	—	—

The ratios of these preferred stocks to the tangible assets, however, bore no definite relation to the market prices of the stocks when the earnings of the companies fell off. The preferred stock of Deere held up best, and that of Case held up fairly well, but the industry's bad year of 1914 seriously affected the market values of most all of these stocks.

Case and Deere have always paid the 7 per cent preferred stock dividends, but Rumely preferred paid nothing in 1914 and Emerson-Brantingham paid only $5\frac{1}{4}$ per cent. The preferred dividends of these companies were as follows:

	1912	1913	1914	1915	1916	1917
Deere	7	7	7	7	7	7
Case	7	7	7	7	7	7
Rumely	7	$3\frac{1}{2}$	–	–	–	–
Moline	7	7	7	7	7	7
Emerson-Brantingham	7	7	$5\frac{1}{4}$	0	0	0

5. *The Common Stocks*

The common stocks of most of these farm implement companies were not traded in extensively on the stock exchanges. The prices of the Deere and Emerson-Brantingham common stocks were as follows:

	1912, High–Low	1913, High–Low	1914, High–Low	1915, High–Low	1916, High–Low	1917, High–Low
Deere	101–89	92–13	18–6	14–7/8	21–14	18– 7
Emerson-Brantingham	77–65	69–22	—	—	—	14–12

The earnings of these companies on their common stocks throw light on the low prices of those listed and explain

why they were so little traded in. The percentages earned on the common stocks were as follows:

	1912	1913	1914	1915	1916	1917
Deere	12	−8	−3	3	19	14
Case	17	6	2	14	10	18
Emerson-Brantingham	—	3	−9	−5	−5	1
Rumely	13	10	36	—	−165	−36
Moline	—	10	2	1	4	10

APPENDIX II

The Rubber Tire Stock Flotations

1. *The Rubber Tire Industry Before the Preferred Stock Flotations in 1912*

The rubber tire industry is an industry of comparatively recent growth, and has developed simultaneously with the automobile industry. The development of the automobile would have been practically impossible had it not been for the pneumatic rubber tire. The great expansion in the rubber industry, furthermore, has resulted from the demand for automobile tires.

In the Census of Manufacturing of 1914, figures for the tire industry were first given separately. The development of the combination in this industry, the United States Rubber Co., preceded this Census by a number of years. In the report of the Industrial Commission of 1901 the dominant position of the United States Rubber Co. was set forth. But the company developed its business in other lines, e.g., shoes, belting, hose, etc. A comparison of the figures in the Census of 1909 with those of the Census of 1914 will show that the rubber industry grew rapidly in these five years and that the increases resulted chiefly from the development of the tire industry.

The development in the use of automobile tires in 1909 and 1910 and its effect on the business of the tire companies are shown by the following figures taken from the Fisk prospectus:

Year	Automobile Casings	Automobile Inner Tubes	Bicycle Tires
1908.....	57,695	40,960	84,387
1909.....	78,259	59,077	103,085
1910.....	96,692	88,061	168,990
1911.....	125,279	121,584	207,561
1912.....	221,826	198,925	240,623

In 1902 the United States Rubber Co. and the Rubber Goods Manufacturing Co. controlled nearly 60 per cent of the industry, but by 1914 not much more than one-fourth of the rubber manufacturing business was in the hands of the United States Rubber Company.[1] In 1914 the sales of the United States Rubber Co. were about 85 per cent as great as the combined sales of the three largest companies (B. F. Goodrich, Goodyear, and Firestone), while in 1917 this percentage was only about 67 per cent. The trade names of the independent companies proved of great value.

The United States Rubber Co., furthermore, did not increase its sales from 1910 to 1912, whereas the large independent companies showed considerable increases prior to 1912. In the following figures the sales of 1910 are used as a base:

Year	United States Rubber Co.	B. F. Goodrich	Goodyear	Fisk
1910.....	100	100	100	100
1911.....	105	106	139	116
1912.....	95	192	264	165

The United States Rubber Co. made a somewhat greater margin of profit on sales than the other two companies for which figures are available, i.e., Goodyear and Firestone.

2. *The Reasons for the Preferred Stock Flotations*

The independents, B. F. Goodrich, Goodyear, and Fisk, issued preferred stock apparently for the purpose of securing funds for expansion. The Goodyear prospectus gives the following as the purpose of the preferred issue: "Of the authorized issue of $5,000,000 Preferred Stock, $1,000,000, was issued to retire a like amount of Preferred Stock formerly outstanding, and the remaining $4,000,000 to provide additional working capital to meet the growing demands of the business." The reason for the B. F. Goodrich flotations was the desire for expansion through the

[1] The Rubber Goods Manufacturing Co. was controlled by the United States Rubber Co.

purchase of the Diamond Rubber Company. Apparently the promoters had no idea of forming a combination in restraint of trade or of attempting any kind of monopoly; the acquisition of the Diamond Rubber Company seems to have grown out of the desire to gain the well recognized economies of large scale production,

The entire proceeds from the preferred stock issues of these companies were not used in every case for the purpose of expansion. Apparently the owners of these companies withdraw a part of their investment from the business when their preferred stock was floated.

3. *The Sales of the Rubber Tire Companies after the Flotations of 1912*

Following the flotations of 1912, the sales of the independent companies increased more rapidly than the sales of the United States Rubber Co. In the following table the sales of 1913 are used as a base:

Year	United States Rubber	B. F. Goodrich	Goodyear	Fisk
1913.....	100	100	100	100
1914.....	91	121	94	117
1915.....	101	140	111	147
1916.....	138	180	194	210
1917.....	191	221	338	322

The sales of the United States Rubber Company were larger than those of any of the independents, and therefore the percentage of increase might have been expected to be less rapid for the larger company.

4. *The Profits of the Rubber Tire Companies*

The ratios of the profits (gross profits before the deduction of interest) to the sales were on the average greater for the United States Rubber Co. than for the other companies. For the five years since incorporation, the United States Rubber Co. averaged about 14 per cent on sales, Fisk about 8 per cent, and the other companies about 12 per cent. The profits earned on sales were as follows:

PERCENTAGE OF PROFIT EARNED ON SALES

Year	U. S. Rubber	B. F. Goodrich	Goodyear	Fisk	Firestone
1909....	—	—	15	—	—
1910....	18	—	15	—	—
1911....	12	—	10	—	8
1912....	12	9	12	—	10
1913....	11	6	6	5	10
1914....	14	10	20	7	17
1915....	15	21	14	10	17
1916....	13	13	11	8	13
1917....	18	13	13	12	8

The gross profits (i.e., profits and interest) on the investments for these companies were as follows:[2]

PERCENTAGE OF PROFIT EARNED ON INVESTMENTS[1]

Year	B. F. Goodrich	Goodyear	Fisk
1910.....	—	72	—
1911.....	—	31	—
1912.....	—	64	—
1913.....	7	17	9
1914.....	16	29	15
1915.....	36	29	29
1916.....	24	36	19
1917.....	26	41	21

Goodyear averaged more than 30 per cent, B. F. Goodrich about 22 per cent, and Fisk, 18 per cent between 1912 and 1917.

5. *The Preferred Stocks*

The equity in the preferred stocks of B. F. Goodrich and Goodyear, i.e., the preferred stock divided into the tangible assets was as follows:

Year	B. F. Gooodrich	Goodyear
1910.....	—	4.58
1911.....	—	4.10
1912.....	—	4.80
1913.....	—	2.40
1914.....	.96	2.68
1915.....	1.08	2.80
1916.....	1.60	1.25
1917.....	1.73	1.55

[2] The investment of the United States Rubber Co. was difficult to determine because the amount of "goodwill" is not stated on the balance sheet.

[1] Profit and Interest on Investment.

The Goodyear preferred stock was the safest because of the absence of water, but the redemption values were such that the high points for Goodyear and B. F. Goodrich were practically the same, as shown by the following figures:

	1911	1912	1913	1914	1915	1916	1917
B. F. Goodrich	—	109–105	105– 73	95–79	114– 95	116–110	112–91[a]
Goodyear	—	—	105– 97	102–92	115–100	—	108–92
Firestone	—	—	108–103	—	113–110	—	109–97
Fisk	—	—	—	—	108[b]	—	—
United States Rubber Co.	115–104	116–105	109– 98	104–95	110–101	115–106	114–91

6. *The Common Stocks*

The earnings on the common stocks of these companies were as follows:

PERCENTAGE EARNED ON THE COMMON STOCKS

Year	United States Rubber Co.	B. F. Goodrich	Goodyear	Fisk
1910	10	—	151	—
1911	4	—	53	—
1912	6	5	125	—
1913	10	1	74	2
1914	8	5	59	5
1915	9	6	58	16
1916	15	12	36	16
1917	29	14	62	33

Goodyear showed the largest earnings because of the absence of "goodwill"; the United States Rubber Co. and Fisk showed about the same earnings on the common stock; B. F. Goodrich showed the least because of the large amount of "goodwill." These facts are reflected somewhat in the prices of the common stocks.

[a] Ex-dividend.
[b] At some closing during year.

PRICES OF COMMON STOCK

	1911, High–Low	1912, High–Low	1913, High–Low	1914, High–Low	1915, High–Low	1916, High–Low	1917, High–Low
B. F. Goodrich.	—	86–60	68– 15	28– 19	80– 24	80–57	61– 32
Goodyear.....	—	—	443–279	250–150	340–191	—	281–136
Firestone.....	—	—	360–122	—	804–365	—	150– 97
Fisk.....	—	—	—	—	126– 60	—	—
U. S. Rubber Co.....	48–30	67–45	69– 51	63– 44	74– 44	70–47	67– 45

APPENDIX III

The Automobile Stock Flotations

1. *The Development of the Automobile Industry*

The automobile industry increased more rapidly in size and importance between 1904 and 1909 than any other industry. From an industry of almost negligible importance in 1900, it became one of the nine most important industries in the Census of 1914—with products valued at over $500,000,000. Coincident with the great increases in the size of the rubber tire industry between 1908 and 1911, the automobile industry also progressed rapidly. The following figures, which are probably not entirely accurate, show the development of the industry:[1]

Year	No. of Cars Produced
1898	200
1900	2,000
1902	9,000
1904	20,000
1906	39,000
1908	55,000
1910	180,000
1912	300,000
1914	560,000
1916	1,300,000

Naturally a rapidly expanding industry, such as this one, has needed capital, and has used the stock market as a means to procure it. This industry developed after the period of combination. The General Motors Co. was formed in 1908; but this company, large as it was, up through 1916 never produced much more than about 10 per cent of the total output of the industry. Ford, however, produced more than 35 per cent of the total output of 1916; and seven companies produced more than 75 per cent of the total production of automobiles in 1916. These

[1] Obtained from the reports of the Association and the Census of Manufactures.

companies were: Ford, General Motors, Studebaker, Willys-Overland, Chevrolet, and Maxwell.

The popularity of the cheaper variety of automobiles and probably a decreasing cost of production are shown by the following average prices paid for automobiles between 1904 and 1914:

1904	$1,382
1906	1,850
1908	1,621
1910	1,203
1912	1,000
1914	940

2. *Reasons for the Preferred Stock Flotations*

The preferred stocks of Studebaker and of Willys-Overland were floated in 1911 and 1912. The Ford Co. is practically a closed corporation, and the reincorporation of General Motors in 1916 was not the result of the same motives that were effective in the case of Studebaker and Willys-Overland. Studebaker and Willys-Overland were incorporated in 1911 and 1912 for the purpose of acquiring new capital for expansion. It was about this time that the industry began to expand.

3. *The Profits of the Automobile Companies*

The ratios of the profits to the investments (i.e., the percentage earned on investment) of automobile companies between 1911 and 1917 were as follows:

	1911	1912	1913	1914	1915	1916	1917
Studebaker	11.3	9.9	7.9	16.2	28.3	26.2	13.9
Willys-Overland	—	—	—	—	67.9	47.6	16.0
Maxwell	—	—	—	14.3	21.6	45.0	33.0
Packard	16.5[a]	16.2[a]	7.5[a]	15.5	33.8	20.5	—
General Motors	—	—	30.0	28.6	48.3	64.1	54.1

These automobile companies, like so many others, prospered remarkably during 1915 and 1916. In 1917, however, there was a decrease in the return on investment, due in part to the increase in investment in all cases except that

[a] Fiscal year.

of Studebaker. The decrease in the sales of Studebaker in 1917 explains the poor showing of this company in that year.

4. *The Equity in the Preferred Stocks*

The automobile preferred stock issues were conservative, as is shown by the ratios of the preferred stocks to the tangible assets:

	1911	1912	1913	1914	1915	1916	1917
Studebaker	1.67	1.80	2.18	2.19	3.06	3.49	2.95
Willys-Overland	—	—	—	—	3.96	4.85	4.38
Maxwell	—	—	—	3.93	4.61	5.35	3.10
General Motors	—	—	1.86	1.87	2.08	3.10	4.12

The prices of these preferred stocks were as high as might have been expected in view of their redemption values.

	1912, High–Low	1913, High–Low	1914, High–Low	1915, High–Low	1916, High–Low	1917, High–Low
Studebaker	98–90	93–64	92–70	119–91	114–108	108–85
Willys-Overland	101–99	99–80	96–90	115–95	117– 94	100–92
Maxwell	—	35–18	48–22	104–43	93– 65	74–49
General Motors	83–70	82–70	95–70	136–90	98– 89	93–85

5. *The Common Stocks*

The percentages earned on the common stocks of the companies were as follows:

	1912	1913	1914	1915	1916	1917
Studebaker	5.9	3.6	14.2	27.4	26.1	9.1
Willys-Overland	—	—	—	52.5	40.0	21.0
Maxwell	—	—	11.7	15.6	20.9	30.7
General Motors	—	38.0	38.0	82.0	170.0	170.0

APPENDIX IV

The Chain Store Stock Flotations

1. *The Development of the Chain Store*

The chain store dates back to about 1870. Between 1890 and 1900 it became a vital factor in American industrial life. The chain stores have had a marked tendency to reorganize our distributive system, by gradually replacing the jobber and the broker and by introducing the advantages of large scale production into retail business. In 1916 there were six firms in Philadelphia operating 461 chain stores. The chain stores have invaded many fields; department stores, shoe stores, hat stores, cigar stores, restaurants, drug stores, grocery stores, and five and ten cent stores, etc.

Of all the industrial corporations considered, none have been more successful than the chains of five and ten cent stores. In 1879 the first of the F. W. Woolworth stores was opened; from the surplus profits of that store another similar store was opened. The success of those two stores made possible the establishment of other stores in other localities. In 1915 Woolworth had 797 stores located in every State except Arizona, and in forty-six Canadian cities. The Kresge chain started in 1877, and had, perhaps, an even more phenomenal growth.

The Acme Tea chain and the Jewel Tea chain were begun in 1885 and in 1899 respectively. The Acme Tea Co. is one of the chain stores for which Philadelphia has become noted. In 1918 this company had 441 stores in Philadelphia, and also had stores in eighty cities and towns in the eastern part of Pennsylvania and New Jersey. The Jewel Tea Co. originally operated chain stores in Illinois; but in 1918 there were 550 branches in all the principal cities of the United States.

2. *The Reasons for the Chain Store Flotations*

The Woolworth flotation was brought out in the beginning of 1912, and the Kresge Flotation followed shortly afterwards. These companies apparently had no particular need of new capital, nor did they have large debts. The owners wanted to withdraw their investments, and put their consolidated chains on the market.

3. *The Sales and Profits of the Chain Stores*

The sales of the five and ten cent stores have not increased so rapidly on the whole as those of the grocery chains, although the sales of the Kresge showed remarkable growth. The following figures show the increases in sales (1912 was taken as a base of 100).

	1912	1913	1914	1915	1916	1917
Woolworth	100	109	115	125	144	162
Kresge	100	128	156	203	285	291
McCrory	100	113	103	118	142	164
Acme	100	104	127	159	193	259
Jewel	100	146	175	227	357	439

The volume of the sales of Woolworth resulted in a less rapid percentage increase. Jewel Tea and Acme Tea showed great absolute increases in 1917; this was probably due in part to their expansion after their flotations of 1916.

The ratios of profits (profits and interest) to sales show that Woolworth and Jewel Tea probably derived more benefit from their expansions than the other companies, whereas the margin in the case of Acme was small. The percentages of profits earned on sales were as follows:

	1912	1913	1914	1915	1916	1917
Woolworth	8.9	9.7	9.2	9.9	10.0	9.4
Kresge	6.4	6.5	7.1	6.2	7.2	6.2
McCrory	6.7	7.2	6.2	6.3	6.2	4.1
Acme	4.1	5.9	4.2	3.5	3.9	4.5
Jewel	11.7	7.9	14.9	17.9	11.4	9.8

4. *Earnings on Investments*

The returns of these companies were as follows:

	1912	1913	1914	1915	1916	1917
Woolworth	36.8	36.3	36.4	33.9	34.7	32.6
Kresge	27.0	29.0	33.8	29.2	18.0	13.9
McCrory	—	—	—	15.6	17.3	11.7
Jewel	—	—	—	—	24.9	25.0
Acme	—	—	—	—	25.0	34.9

All of these chain stores earned large percentages on their investments, except possibly McCrory. Woolworth made exceptionally high returns on investment. Acme and Jewel also earned large profits on investment.

5. *The Preferred Stocks of the Chain Stores*

The preferred stocks of the five and ten cent chains were especially conservative. The ratios of the tangible assets to the preferred stocks were as follows:

	1912	1913	1914	1915	1916	1917
Woolworth	100.0	122.4	140.7	159.7	185.7	210.5
Kresge	122.3	150.0	170.0	224.6	340.0	420.0
McCrory	—	—	—	180.0	194.9	219.4
Acme	—	—	—	—	104.5	148.5
Jewel	—	—	—	—	148.5	174.1

The market prices of the preferred stocks were as follows:

	1912	1913	1914	1915	1916	1917
Woolworth	118–109	115–109	118–112	124–115	126–123	126–113
Kresge	105–100	102– 96	105– 99	112–104	12–10[a]	113/8–83/4[a]
McCrory	—	—	—	—	—	—
Jewel	—	—	—	—	113–104	112– 90
Acme	—	—	—	—	98– 93	96– 92

A higher price than the redemption value ($125) for Woolworth preferred stock was reached in both 1916 and 1917. Kresge preferred stock would probably have risen higher had it not been for the redemption value. The value of these preferred stocks rose as the earnings were accumulated to increase the assets and replace the goodwill.

[a] Reorganization (Par value $10.00).

6. *The Common Stocks*

The percentages earned on the common stocks of these companies were as follows:

	1912	1913	1914	1915	1916	1917
Woolworth	12	15	20	23	20	17
Kresge	9	11	11	13	16	17
McCrory	—	—	—	5	7	5
Jewel	—	—	—	—	10	11
Acme	—	—	—	—	14	25

The comparatively large common stock issues of McCrory and of Jewel Tea explain the smaller percentages earned on those common stocks in 1916 and 1917. The companies in this group, however, were not so much overcapitalized as those in some of the other groups.

The prices of the common stocks were as follows:

	1912	1913	1914	1915	1916	1917
Woolworth	118–76	112–81	103–89	120–90	141–118	155–100
Kresge	89–47	83–58	105–81	260–99	16– 10[a]	13– 10[a]
McCrory	—	—	—	55–50	—	—
Jewel	—	—	—	—	96– 67	78– 31
Acme	—	—	—	—	69– 51	58– 52

These stocks show no close relations to the earnings on the common stocks.

[a] Par value reduced from $100 to $10.

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No. I.

THE RISE OF COTTON MILLS IN THE SOUTH

SERIES XXXIX NO. 2

JOHNS HOPKINS UNIVERSITY STUDIES
IN
HISTORICAL AND POLITICAL SCIENCE
Under the Direction of the
Departments of History, Political Economy, and Political Science

THE RISE OF COTTON MILLS IN THE SOUTH

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PREFACE

In prefacing some observations on the history of the South a writer has said: "It will be something if these papers shall make it plain that my subject is a true body of human life—a thing, and not a mass of facts, a topic in political science, an object lesson in large moralities. To know the thing itself should be our study; and the right study of it is thought and passion, not research alone."[1] The same is true of the present story of the South's espousal of manufactures in place of whole devotion to agriculture. Rightly set forth, it is not only an industrial chronicle, but a romance, a drama as well. One who himself bore a part in the events here described, at the outset of my project hoped that I would grasp both the economic and the spiritual aspects of the period under review.[2] This I have tried to transmit to the reader, and I have found that the fuller the account of material circumstance, just so much the clearer becomes the spiritual significance.

In point of view I owe most to my Father, accepting his concise explanation that the South was overcome at Appomattox because it placed itself in opposition to the compelling forces of the age—by agency of the invention of the cotton gin held to slavery instead of liberty, insisted upon States' rights in place of nationality, and chose agriculture alone rather than embracing the rising industrialism. As a result, the task since 1865 has been to liberalize the South in thought, nationalize it in politics, and industrialize it in production. "Would we make cotton king? Let us aspire to spin every fibre of our exhaustless fields. By such alignments with this wondrous mother-age, we shall enable the South to take her rightful part in determining the national

[1] William Garrott Brown, The Lower South in American History.
[2] Mr. J. C. Hemphill.

destiny."[3] My study is little more than illustration of this analysis of the past, this interpretation of the present and future.

Formerly, a landed aristocracy shut out the average man from economic participation; but with the rise of cotton mills, the poor whites were welcomed back into the service of the South. As a conclusion from my survey I cannot but express the anxiety that through lessons of the old mistake we shall avoid the new error, insuring that an aristocracy of capital shall not now preclude industrial democracy.

My purpose has been to describe the birth of the industry in the South rather than its development. In only a small number of instances has this plan been departed from; many topics rich in interest have not been broached.

I regret that two books did not come into my hands in time to be used in this study. Holland Thompson's "The New South," and George T. Winston's "A Builder of the New South" (the story of the life work of D. A. Tompkins), are contributions which will be found valuable.

I owe thanks for special assistance to Professor Jacob H. Hollander and Professor George E. Barnett, of The Johns Hopkins University, who guided the investigation; the proprietors of the Manufacturers' Record, who permitted me to use the early files of the paper; Mr. T. S. Raworth, of Augusta; Mr. William M. Bird, of Charleston; Professor Yates Snowden and Mr. August Kohn, of Columbia, all of whom made documentary material available to me. Others have given me hardly less generously of their time and thought; footnote references to interviews and correspondence with these must serve as acknowledgment in each case.

B. M.

[3] Samuel Chiles Mitchell, "Educational Needs of the South," in The Outlook, N. Y., vol. lxxvi, no. 7, p. 415 ff.

THE RISE OF COTTON MILLS IN THE SOUTH

CHAPTER I

The Background

This opening chapter undertakes a brief survey of the historical and economic background out of which the cotton manufacturing industry of the South, as a distinct development, emerged. It may be said that thus to begin the story of the rise of the mills with discussion of a period which lies a century in advance, is not unlike the production of a play hopeful in conception, robust in theme and rapid in action, but in which the curtain first lifts to show a stage which, except for a few unrelated characters, remains empty throughout an entire act.

It is a purpose here to refer to the views of some observers who believe they have caught glimpses of men and facts in these prior years not only presaging but causally related to the main action later. The total of this chapter will show, however, that the development, as such, first substantially showed itself and had its complete genesis about the year 1880.

In the neglect of Southern economic history, information of the early period is not abundant, yet there is less dispute as to findings of fact than as to right interpretation of material evidences agreed upon. In bringing the several beliefs into parallel presentation it will be seen that concerning the rise of cotton mills in the South a little body of theory exists. Several of the statements that will be given are not well-informed, and others are almost too studied, so that they lose perspective. Interpretations will be cited in connection with the different stages under discussion, so that the relative weighting of these stages, as intended by writers, will appear.

It is first useful to notice the limits of divergence of views. One who wrote with empirical purpose and may be believed to have been not deeply interested in the historical setting of the mills, has said of one State, taken by him as typical: "The story of the development of the cotton manufacturing industry in South Carolina is not wanting in impressive elements. From the beginning in 1790 till 1900 it was a struggle of gradually increasing intensity and extension."[1] This conception of continuity is in marked contrast with a representative expression of another Southerner likewise for some time a resident of the North. After referring to promising industrial beginnings it is declared that: ". . . a manufacturing development throughout the Piedmont region of the South might have continued parallel with that which has taken place in Pennsylvania, except for the . . . combined influence of the invention of the cotton gin, the institution of slavery, and the checking of . . . immigration. As late as 1810 the manufactured products of Virginia, the Carolinas and Georgia exceeded in value those of the entire New England states. By Whitney's invention . . . cotton planting became so profitable, that for a period of forty years the price remained above twenty-five cents a pound. Factories were abandoned. . . . As cotton and slavery advanced, the population of free white work people were driven further and further into the mountain country, and thus many of the white industrial workers of 1800 became the poor mountain farmers of 1850 . . . the owners of factories who operated with free white labor in 1800 had become in 1850 the cotton planters operating with black slave labor. . . . When the abolition of slavery removed one great difficulty of industries and the white people who had formerly deserted manufactures for agriculture went back to the pursuits of their fathers, these mountaineers formed the labor supply."[2]

[1] P. H. Goldsmith, The Cotton Mill South, p. 4.

[2] D. A. Tompkins, in The South in the Building of the Nation, vol. ii, p. 58. For a more summary statement, cf. ibid., Cotton Mill, Commercial Features, pp. 108–109. Cf. also ibid., History of Meck-

Not so categorical as one opinion that "from 1810 to 1880 the South was industrially a desert of Sahara," this view still makes it clear that from a point early in the century until a date subsequent to the Civil War, absorption in cotton culture threw manufacturing of all sorts into the discard.

There is sufficient evidence that in what may be roughly called the Revolutionary Period, the South was well started toward a balanced economic development, with manufactures as well as agriculture.[3] In South Carolina early encouragement was given to the manufacture of cotton specifically; one Hugh Templeton, seeking inventor's privileges, in 1789 deposited with State authorities a plan for a carding machine and "a complete draft of a spinning machine, with eighty-four spindles, that will spin with one man's attendance ten pounds of good cotton yarn per day."[4] In 1795 the legislature authorized commissioners to project a lottery for the benefit of William McClure in his effort to establish a cotton manufactory to make "Manchester wares."[5] The

lenburg County, vol. i, pp. 133–137; The Tariff and Reciprocity; Road Building and Repairs, p. 24; W. L. Trenholm, The Southern States, quoted in C. D. Wright, Industrial Evolution of the United States, pp. 145–146; J. A. B. Scherer, Cotton as a World Power, p. 168 ff.; Walter H. Page, The Rebuilding of Old Commonwealths, p. 139.

[3] "Upon the whole, the last half of the Eighteenth century, before the influence of the cotton gin and Arkwright's inventions were fully felt in the South, was a period when agriculture yielded some ground in primary manufactures and household industries." (V. S. Clark, in South in Building of Nation, vol. v, p. 308). Cf. Tompkins, The South's Position in American Affairs, p. 1. Of North Carolina a careful student has said: "Though there were no towns of any size, the number and skill of the artisans was such that, in 1800, it seemed probable that the logical development would be into a frugal manufacturing community, rather than into an agricultural state" (Holland Thompson, From the Cotton Field to the Cotton Mill, p. 25). See, especially with reference to iron making in this period, Richard H. Edmonds, Facts About the South (ed. 1894), p. 3 ff. There is importance in the founding of the Manumission Society, with 1600 active members as late as 1826 (ibid., pp. 26–27).

[4] August Kohn, The Cotton Mills of South Carolina, pp. 10–11.

[5] Ibid., pp. 9–10. In an appropriation bill of 1809, the sum of $1000 was advanced to Ephraim McBride "to enable him to construct a spinning machine on the principles mentioned in a patent he holds from the United States" (ibid., pp. 10–11). In the same

South shared in the national impulse toward economic self sufficiency consequent upon the stoppage of colonial commerce with England and the Revolution. Proceedings of the Safety Committee in Chowan County, North Carolina, for March 4, 1775, show that "the committee met at the house of Captain James Sumner and the gentlemen appointed at a former meeting of directors to promote subscriptions for the encouragement of manufactures, informed the committee that the sum of eighty pounds sterling was subscribed by the inhabitants of this county for that laudable purpose." The chairman offered ten pounds to the first producer in a certain time of fulled woolen cloth. The provincial congress took steps the same year to stimulate, by bounties, the manufacture of gunpowder, rolling and slitting mill products, cotton cards, steel, paper, woolen cloth and pig iron.[6]

Although their objects were possibly political as well as industrial, mechanics' societies existed at Charleston and Augusta before and about the year 1810; in Augusta were made some of the earliest attempts in this country to improve the steam engine.[7] As early as 1770 there was formed in South Carolina a committee to establish and promote manufactures, with Henry Laurens as chairman.[8] The purchase by Southern States of the patent rights of Whitney's cotton gin is to be interpreted not as a design to leave off cotton manufacturing, but rather as evidence of a prevalent spirit for mechanical improvement.

Glimpses at individual establishments show the textile industry of the South in this Revolutionary Period to have

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year the request of the president of the Homespun Company of South Carolina for a loan on account of a patent was unfavorably received by a legislative committee, but it was recommended that he be allowed until the next meeting of the legislature "to report on the utility of the machine called the Columbia Spinster, so as to entitle, in case the same be approved, the inventor of the same to the sum provided by law for his benefit" (ibid., p. 11). Cf. ibid., pp. 11–13.

[6] For these facts the writer is indebted to a MS. of M. R. Pleasants, "Manufacturing in North Carolina before 1860."

[7] Clark, in South in Building of Nation, vol. v, p. 310.

[8] Kohn, Cotton Mills of South Carolina, p. 7.

been generally of the domestic character. Manufacturing was conducted by individuals rather than corporations, and was usually directly connected with plantations. Daniel Heyward, a planter, in a letter in 1777, declared with reference to his "manufactory" that if cards were to be had "there is not the least doubt but that we could make six thousand yards of good cloth in the year from the time we began."[9] Domestic production is clearly seen in a statement the same year that a planter in three months trained thirty negroes to make one hundred and twenty yards of cotton and woolen cloth per week, employing a white woman to instruct in spinning and a white man in weaving, and it was said: "He expects to have it in his power not only to clothe his own negroes, but soon to supply his neighbors."[10]

A few plants may have approached a commercial character. In 1790 it was related that "a gentleman of great mechanical knowledge and instructed in most of the branches of cotton manufactures in Europe, has already fixed, completed and now at work on the high hills of the Santee, near Stateburg, and which go by water, ginning (?) carding and slubbing machines, with 84 spindles each, and several other useful implements for manufacturing every necessary article in cotton." This establishment was coincident with Slater's famous factory at Pawtucket, Rhode Island, founded in 1790, and may have antedated it, though comparative credit to the Stateburg enterprise is perhaps diminished by information that while some long staple cotton was imported from the West Indies, and a variety of goods were made, it was conducted as an adjunct to a plantation, parts of its equipment were later removed to and set up on another plantation, and much of its yarn was spun for persons in the vicinity. It is notable, however, that the machinery was made in North Carolina.[11]

[9] Ibid., p. 7.

[10] South Carolina and American General Gazette, Jan. 30, 1770, quoted in ibid., p. 7. Cf. ibid., pp. 6–7.

[11] American Museum, viii, Appendix iv, part 2, July 1, 1790, cited in ibid., p. 8. The question mark is Mr. Kohn's. If Mr. Kohn is correct in believing that "a regular cotton mill" was established by

The textile industry in the South in the latter part of the eighteenth and earlier part of the nineteenth centuries was stamped with the hallmark of domestic production.[12] However, it is to be remembered that a century and a half ago this and other manufactures in every part of America and in England too bore very much of the domestic character,[13] and that probably Southern States showed instances of power-driven machinery before Slater set up the first Arkwright mill in Rhode Island. The South had planter-manufacturers it is true, but this link between agriculture and industry as contrasted with New England is easily explained in the more general fertility of the soil and the effect this of course had upon the occupation of the people. Furthermore, the very fact of this coupling indicates the inclination toward economic balance and the promise in these years of a rational development.[14]

Mrs. Ramage, a widow, on James Island, Charleston District, in 1778, the fact is highly interesting, because the date is nine years antecedent to that of America's "first factory," at Beverly, Massachusetts. The South Carolina mill was operated by mule power; no traces survive (ibid., p. 8. Reference is particularly to the City Gazette and Daily Advertiser, Charleston, Jan. 24, 1779).

[12] Referring especially to the establishments just noticed and to water-driven spindles near Fayetteville, Mr. Clark has said: "Small mills may have started in the Carolinas and Georgia, and after a brief infancy have vanished and left no name; but, if so, the fact is curious rather than significant, for it had no relation to the subsequent history of the industry" (History of Manufactures in the United States, 1607–1860, p. 537). As indicating further the lack of causation in these ventures, it is observed: "Maryland is hardly typical industrially of the Southern states. Its factories date from the Revolution . . ." (ibid., in South in Building of Nation, vol. v, pp. 328–329). ". . . prior to the war of 1812 the advance of Southern manufactures was principally in what were then household arts —those that produced for the subsistence of the family rather than for an outside market. These manufactures continued generalized and dispersed rather than specialized and integrated" (ibid., p. 312). Cf. ibid., p. 310, and W. W. Sellers, A History of Marion County, p. 26.

[13] Carroll D. Wright, "The Factory System of the United States," p. 6, in U. S. Census of Manfactures, 1880.

[14] The Bolton Factory was built in 1811 on Upton Creek, Wilkes County, Ga. In 1794 on this site had been erected one of Whitney's first cotton gins, propelled by the water power that later ran the cotton mill. It is said that Lyon here conceived important improvements in the Whitney invention, making a saw gin (Southern Cotton Spinners' Association, proceedings, seventh annual convention, p.

The nature of the mills up to 1810, then, is clear. Coming now to those established in decades just following, a subject is entered in which some controversy is involved. These plants I have chosen to call the "old mills." A distinction is to be observed between influence of these factories upon the later great development and the proper character to be ascribed to them as of themselves. A manufacture which is forerunner in time is not necessarily antecedent in effect. To substantiate a view that the Civil War interrupted a course which was clearly laid down in years previous, it ought to be demonstrable that the old mills had essentially the same features as those of the later development, with only those lacks which were inherent in an industry in formative stage.[15] The South had small cotton farmers of a prevalent sort before ever Knapp taught efficient production. If the old mills were of a notably different stripe from those of the period fifteen years after the War, the genesis of the industry, economically speaking, lies in

41 ff.). Here is a suggestion of the fact that the South was on the right road—a gin, so far from diverting attention entirely to the cultivation of the staple, was succeeded by a cotton mill on the same spot, operated by the same power. Perhaps Helper was in bounds when the declared: "Had the Southern States, in accordance with the principles enunciated in the Declaration of Independence, abolished slavery at the same time the Northern States abolished it, there would have been, long since, and most assuredly at this moment, a larger, wealthier, wiser, and more powerful population, south of Mason and Dixon's line, than there now is north of it" (H. R. Helper, The Impending Crisis of the South, ed. 1860, pp. 161–162).

[15] A North Carolinian of post-bellum experience, but who has been identified with one of the foremost industrial communities of the South, thought it had been "a clear case of arrested development; it would have all come sooner, but for the War. It might be said that had slavery continued, manufacturing would never have come in the South, but it is also true that slavery was doomed. There is no use in talking about what might not have happened had slavery continued" (W. F. Marshall, interview, Raleigh, N. C., Sept. 16, 1916). Loose, unsupported statements are frequent: "The first cotton mill . . . in North Carolina was built at Lincolnton in 1813 by Michael Schenck. . . . This mill was the forerunner of that remarkable industrial development which has taken place in North Carolina since that time" (Pleasants MS.).

the later date. The mere fact that the old mills were known to the later builders is hardly enough.[16]

Not a few plants in the South have been in continuous operation since an early date. But this does not mean that many of these, so far from inspiring the later development, were not themselves by its stimulus so greatly changed as to be radically different from their former character.[17] In the light of the spirit in which mills were built about 1880 and the demonstrated total newness of the hands to the processes and even the idea of textile manufacture, it seems unnecessary to controvert an opinion that not only did the ante-bellum factories furnish a starting point for the later development, but domestic weaving had accustomed the people to the industry.[18]

The history of the mills of the thirty years following 1810 is rather hazy.[19] Important facts, however, stand out.

[16] "In the older mills, before the War, the seed had been planted, and cultivation was renewed after the War. The ante-bellum mills were pretty well known throughout the country. The woolen mills at Salem, and the cotton mills in Alamance and a few in Gastonia were known. The fact that such goods as 'Alamance' had a name already was an advantage" (John Nichols, int., Raleigh, N. C., Sept. 16, 1916). He continued to speak of these mills in close conjunction with the names of the families and manufacturers who owned them —the personal factor stood out in his mind more strongly than any other.

[17] Mr. Kohn believes that the one with the longest record is that founded at Autun, near Pendleton, S. C., in 1838, by B. F. Sloan, Thomas Sloan, and Berry Benson (Cotton Mills of S. C., p. 15). Cf. Charlotte (N. C.) News, Textile Industrial Edition, Feb., 1917, with reference to the Rocky Mount Mill. One long-established enterprise fell under local dislike as late as the seventies, a generous-minded father being suceeded in the management by reckless sons; the strength of the personal factor was thus a danger; in spite of undiscriminating statements that this mill afforded a manufacturing tradition to the community, it really lost all public character.

[18] Suggested by Mr. Charles E. Johnson in an interview, Raleigh, N. C., Sept. 16, 1916. For a clear distinction between first establishments in Philadelphia and New England and genuine factory development, cf. Wright, in U. S. Census of Manufactures, 1880, "Factory System of U. S.," p. 6; Clark, in South in Building of Nation, vol. v, p. 319.

[19] For a careful narrative of the establishments of the settlers who moved into the South from New England about 1816, with details of the factories of the Hills, Shelden, Clark, Bates, Hutchings, Stack, the Weavers, McBee, Bivings, etc., cf. Kohn, Cotton Mills of S. C., and The Water Powers of South Carolina. For those in

There was little localization of the industry. There was a good deal of moving about from one water-power to another, the machinery being hauled from place to place with apparent convenience.[20] A founder would sell an enterprise, build another and sell it and build a third.[21] It was difficult to convey machinery to the factory when purchased at a distance.[22] Much machinery was made in local blacksmith shops, and must have been crude even for that period.[23] While elaboration of the point falls elsewhere, it is worth notice here that there is a difference between the old and the later mills in the character of their promoters and managers. In the earlier period men came to cotton manufacturing in the South by more normal channels than at the outset of the subsequent development. Like Michael Schenck, they had foreign industrial habits and traditions back of them, and they set up mills in communities populated by Swiss, Scotch-Irish and Germans. Or like William Bates and probably the Hills, Clark, Henry, and the Weavers, they came from the industrial atmosphere of New England, then particularly stimulated by the encouragement lent to textile manufacturing by the embargo laid on English goods by the War of 1812.[24]

Or through collateral business connections or marriage they were brought into the business. Simply private invest-

North Carolina, Holland Thompson is useful; cf. also Southern Cotton Spinners' Association, Proceedings 7th Annual Convention, p. 41 ff., and Tompkins, Cotton Mill, Commercial Features, pp. 301–302.

[20] Wood for the boiler of the Mount Hecla Mills growing scarce, the machinery was taken to Mountain Island and there run by water (Thompson, pp. 48–49).

[21] Kohn, Cotton Mills of S. C., p. 14.

[22] That for the Mount Hecla Mills about 1830 was shipped from Philadelphia to Wilmington, N. C., up the Cape Fear River to Fayetteville, and then across country by wagon to Greensboro. The equipment of six or seven hundred spindles for the Hill factory in Spartanburg County fifteen years earlier was brought by wagon from Charleston (Kohn, Cotton Mills of S. C., p. 14). Cf. Charlotte News, Textile Ed., 1917, with reference to Rocky Mount Mill, and Thompson, p. 45 ff.

[23] The Bivingsville mill (J. B. Cleveland, int., Spartanburg, S. C., Sept. 8, 1916), and Shenck mill (Thompson, p. 45 ff.) are cases in point. Cf. Thompson, pp. 42–43.

[24] W. J. Thackston, int., Greenville, S. C., Sept. 12, 1916.

ment enlisted participation of men in various callings. Of course these same forces operated afterwards, but in the earlier time there was no response to a public enthusiasm or a social demand that acted like a magnet in drawing into the industry men who otherwise would never have entered it, certainly not as entrepreneurs.

A plant turning out iron products was operated in connection with the Schenck mill.[25] Cotton factories conjoined with gins and saw mills are not unknown in the South today, but in whatever instance this occurs there is indicated a lack of specialization.

Perhaps the most striking confirmation of the view here taken of the restricted and semi-domestic character of the old mills is found in the facts relating to the marketing and consumption of their products. A commercial nature is ascribed to the establishment of General David R. Williams on his plantation in Darlington County, South Carolina, which "in 1828 . . . was turning his cotton crop, of 200 bales annually, into what was said to be the best yarn in the United States. He marketed part of his crop in New York and wove part of it into negro cloth for home use," and twenty years later distant and local demands were being supplied. Evidence hardly supports the suggestion that the product of such small Southern mills as this "controlled the Northern yarn market."[26]

On the other hand, local consumption and the link with domestic industry, noted in the above instance, were prevalent. How closely these old mills were joined with the countryside is seen in the fact that into their coarse, homely fabrics went hand-spun linen warp. The domestic char-

[25] Ibid.

[26] Clark, in South in Building of Nation, vol. v, p. 321; cf. Kohn, Cotton Mills of S. C., pp. 18–19, giving quotation from Columbia Telescope. Contrast, however, William Gregg, Essays on Domestic Industry (1845), p. 11: "Limited as our manufactures are in South-Carolina, we can now, more than supply the State with Coarse Cotton Fabrics. Many of the Fabrics now manufactured here are exported to New-York, and, for aught I know, find their way to the East-Indies."

acter was thus ingrained.[27] The yarn of the Batesville Factory, before the Columbia and Greenville railroad came to Greenville about 1852, passed current almost like money, in ten pound "bunches" covered with blue paper, and although "mountain schooners" carried it sometimes a hundred and fifty miles into North Carolina and Tennessee, it was given in barter for meat and rags.[28]

A banker intimately connected with the textile industry in one of the oldest industrial communities and a member of a family to which many writers are quick to point as founders of cotton manufacture in the South through con-

[27] Clark, in South in Building of Nation, vol. v, p. 321. Of the Rocky Mount mill in North Carolina it is said that "For some years prior to and during the Civil War, the mill was a general supply station for warps which the women of the South wove into cloth on the old hand looms." So beneficial did this prove during the War that a cavalry troop of Federals was sent up from New Bern in 1863 and burned the mill (Charlotte News, Textile Ed., 1917). It is remarked that making only twelve to fifteen hundred pounds, of 4s to 12s daily, the mill could not get a steady market for its wares (Thompson, pp. 48–49). Until 1851 slaves and a few free negroes were worked in this mill. This distinguishing difference between the old mills and those of the later development, when the labor of negroes was far from the thoughts of builders and managers, will be dwelt upon in another place. The McDonald Mill at Concord, during the Civil War, dealt in barter. A gentleman in a nearby town said he remembered as a boy trading a load of corn for yarn to be woven by the women at home (Theodore Klutz, int., Salisbury, N. C., Sept. 1, 1916). In 1862 the Confederate Government commandeered the Batesville factory, in South Carolina, and took nearly all of the product. That portion allowed to private purchasers was always sold by 10 o'clock in the morning (W. J. Thackston, int., Greenville). Of the three small plants running in Spartanburg County before the War, one was on Tyger River, spinning yarns on half a dozen frames, and people drove twenty to twenty-five miles to the door of the mill for the product, although it was sold, also, in the country stores (Walter Montgomery, int., Spartanburg, S. C., Sept. 5, 1916). The first woolen mill of Francis Fries at Salem, N. C., had a little fulling and dyeing plant for finishing cloth woven by the farmers' wives and daughters (Tompkins, Cotton Mill, Commercial Features, pp. 183–184). Cf. Thompson, p. 31.

[28] W. J. Thackston, int., Greenville. The old mills were "able to barter for the small quantities of local raw cotton which they used. The standard of exchange, the par, was one yard of three-yard sheeting for a pound of raw cotton, which was a third of a pound, made into cloth, for a pound in the raw state. But this was a retail and not strictly a manufacturing profit" (John W. Fries, int., Winston-Salem, N. C., Aug. 31, 1916).

spicuous participation in the business since the early thirties, said:

> The mills built after the war were not the result of pre-bellum mills. This is trying to ascribe one cause for a condition which probably had many causes. The industrial awakening in the South was a natural reaction from the War and Reconstruction. Before the War there was first the domestic industry proper. Then came such small mills about Winston-Salem as Cedar Falls and Franklinsville. These little mills were themselves, however, hardly more than domestic manufactures. When, after the War, competition came from the North and from the larger Southern mills, the little mills which had operated before and had survived the war lost their advantage, which consisted in their possession of the local field. . . . The ante-bellum domestic-factory system did not produce the post-bellum mills.[29]

It must be obvious from foregoing considerations that a census enumeration of mills of the period cannot show internal characteristics which are all-important. But even the census returns, counting one plant like another, display the Southern industry at this stage as being feeble. Some primary descriptive factors are lacking in the earliest reports of the census which are at all useful, but taking the four Southern States which were farthest advanced in the years 1840 and 1850—Virginia, North and South Carolina and Georgia—and comparing the whole of the South with New England, the showing may be summed up thus:[30]

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[29] John W. Fries, ibid. It is not to be forgotten that lack of transportation facilities necessarily cramped the old mills, and that this operated also to keep out competing product, but their essential character was independent of this consideration. The superior trend of capital into agriculture limited ante-bellum cotton mills by preventing profitable extension of plant and embarrassing advantageous marketing of product which might require some waiting. Cf. Edward Ingle, Southern Sidelights, pp. 70–71. Another with a broad view of the history of the industry was willing to include the Graniteville enterprise, about which some controversy has clustered, in his judgment: "The cotton mills in the South before the War were third-rate affairs. I speak of Graniteville and Batesville and such plants as these. I remember my mother's telling me that the warp . . . used to be supplied by the mills for use in the homes of the housewives. They were not regular cotton mills as the plants of later establishments have come to be" (W. W. Ball, int., Columbia, S. C., Jan. 1, 1917). "The mills built in the eighties were a part of a new spirit from the ante-bellum mills. The old mills—Bivingsville, Valley Falls, Crawfordsville, in Spartanburg County—were small and insignificant affairs. They lived from hand to mouth" (Cleveland, int., Spartanburg).

[30] U. S. Census of Manufactures, 1900, "Cotton Manufactures," p.

	Census	Plants	Capital	Ops.	Spin.	Bales Consumption
Virginia	1840	22	$1,299,020	1,816	42,262	17,785
	1850	27	1,908,900	2,963		
N. Carolina....	1840	25	995,300	1,219	47,934	(a)
	1850	28	1,058,800	1,619	531,903	13,617
S. Carolina	1840	15	617,450	570	16,353	
	1850	18	857,200	1,119		9,929
Georgia.....	1840	19	573,835	779	42,589	
	1850	35	1,736,156	2,272		20,230
So. States.....	1840	248	4,331,078	6,642	180,927[b]	
	1850	166	7,256,056	10,043		78,140
New England..	1840	674	34,931,399	46,834	1,497,394	
	1850	564	53,832,430	61,893		430,603

Many single mills in the South today represent more than the extent of the whole industry in the most forward Southern State in 1850.[31]

Some writers have pointed to evidences of industrial activity in the period to 1840 as presaging the later development. A localizing tendency in the textile manufacture along the fall line of rivers in the decade following 1830, has been called a "slow and unconscious development."[32] George Tucker in 1843 first pointed out that slavery was showing signs of decay from economic causes and as a system would finally lapse of its own accord.[33] A study of

54 ff. (a) Thompson gives 700 looms and 7000 bales consumed (p. 49 ff. (b) An obviously incomplete summary.

[31] Cf. Thompson, p. 49 ff. "The number of small carding and fulling mills and of little water-driven yarn factories, in this section [the South] before 1850, may have approached the number of textile factories in the same region today; . . . but few of these establishments became commercial producers" (Clark, in South in Building of Nation, vol. v, pp. 319–320). A map showing distribution of cotton spindles in 1839 indicates a good representation for all the Southern States except Mississippi, Louisiana, Arkansas and Florida, as to mills of small size, but the localization both as to plants and spindles in New England is marked (Clark, History of Manufactures, pp. 533–560). See the whole section for an excellent discussion of both historical and economic phases). "Few mills south of Virginia had power looms prior to 1840" (ibid., in South in Building of Nation, vol. v, p. 321). Notice omission of looms for Southern States in census returns referred to above.

[32] Clark, in South in Building of Nation, vol. v, p. 322.

[33] "Progress of the United States in Population and Wealth in Fifty Years," referred to by William E. Dodd, in South in Building of Nation, vol. v, pp. 566–567.

North Carolina industrial history of the period has led to the conclusion that "The people of the state became interested and soon a class of small manufacturers . . . came into prominence and continued to thrive down to 1860."[34]

It is questionable, however, whether it may be truly said that "the people of the state became interested"; certainly there was nothing like the sweep of public sentiment that appeared in 1880, and the suggestions relied upon in making the inference show as much against as for the likelihood of their taking effect.[35]

The foregoing paragraphs lead up to a more important judgment of Mr. Clark that "In the South the most striking feature of this period [1840–1860] was the gradual breaking down of a traditional antipathy to manufactures. This hostility was opposed to the obvious interests of a region where idle white labor, abundant raw materials, and ever-present water-power seemed to unite conditions so

[34] Pleasants. Reference is had especially to items in State papers and in Niles' Register. The Tarboro Free Press declared that should a tariff measure of the time meet with success, the people of the Carolinas would have to "join in the scuffle for the benefit anticipated from this new American system, and they will have to bear a portion of its burdens and buffet the Northern manufacturer with his own weapons." It is noticed that a report to the North Carolina legislature in the late twenties, looking back upon the disintegrating process of the preceding two decades, said: "There must be a change. But how is this important revolution to be accomplished? We unhesitatingly answer—by introducing the manufacturing system into our own state and fabricating at least to the extent of our wants. . . . Our habits and prejudices are against manufacturing, but we must yield to the force of things and profit by the indications of nature. The policy that resists the change is unwise and suicidal. Nothing else can restore us."

[35] With preemption of land into large estates and consequent injury to small farming, discovery of gold, agitation for railroads and improvements in cotton manufacturing machinery, the people of Mecklenburg County, North Carolina, "many years before the war were beginning to realize the importance of diversified industries. . . . An industrial crisis was imminent, and the problem would have solved itself by natural agencies within a few more years, had not sectional differences brought on the war" (Tompkins, History of Mecklenburg, vol. i, p. 124). Cf. ibid., pp. 126–127; Kohn, Cotton Mills of S. C., pp. 18–19. That the war did come to render such an industrial impulse impossible of effects shows the relative weakness of the spirit at this time. The preoccupation with intersectional differences was of greater potency than the intrasectional change of mind, if such there were.

favorable to textile industries. Cotton planting engaged the labor and the thought and capital of a directing white class, but the natural operative of the South remained unemployed, and the capital of the North and of Europe was mobile enough to flow to the point of maximum profit without regard to sectional or national lines, were such a profit known to be assured by Southern factories. Slavery as a system probably had less direct influence upon manufactures than is commonly supposed, but the presence of the negro through slavery was important."

It is frankly recognized that white immigration from Europe, which at this time supplied the most considerable mechanical skill, avoided districts heavily populated with negroes; that plantation self-sufficiency meant isolation with small need for good communicating roads; that the market for middle-grade goods was restricted by the servile character of the colored inhabitants; that the credit system, by which factors controlled the directioning of productive capital, rested upon cotton culture by negro labor; that while the corn laws held in England, reciprocity between the Southern States and the mother country tended to discourage manufactures in this section while the conditions of commerce favored manufacture in the North. "These business interests, supported by social traditions and political sectionalism, were strengthened in their opposition to new industries by a widespread popular prejudice against organized manufactures. . . . Nevertheless the South chafed continually under the discomfort of an ill-balanced system of production. . . ." Mention is made of the canal at Augusta and of cotton mills at Charleston, Mobile, Columbus, New Orleans and Memphis directly following the writings and object lesson of William Gregg in his Graniteville factory, and it is concluded that "modern cotton manufacturing in the South dates from the founding of Graniteville rather than from the post-bellum period. . . . However, viewed in comparison with the cotton manufactures of the North, those of the South were still insignificant. . . .

Nevertheless, the present attainment of the industry assured its definite future growth, and ultimate national importance."[36]

It is not hard to justify disagreement with this view. The basis of probable industrial development before the War appears in hindsight only if the pervasive numbing influence of slavery, made more powerful in the last years through the frantic effort at its maintenance through extension, is forgotten. Well enough to assert that the capital of the North and of Europe was mobile enough to flow across the Atlantic and across Mason and Dixon's line were a profit in manufacture in the South known to be assured, but the fact is that capital did not come in for industrial purposes because bright prospects had not been proved, and this largely because home enterprise was a laggard while slavery claimed the section's capital resources for cotton cultivation.[37] It is difficult to see the distinction which Mr. Clark desires to draw between the effect of the presence of the negro and the presence of slavery. While it is true that for long years after emancipation, and continuing to this day, the influence of the negro's presence in restraining inflow of immigrants is evident, the lessening of this deterrent and the removal of nearly equal drawbacks could not proceed or commence while slavery existed. From the point of

[36] Clark, History of Manufactures, p. 553 ff. Cf. ibid. in South in Building of Nation, vol. v, pp. 213–214, and p. 316 ff. Cf. Kohn (Cotton Mills of S. C., p. 16): "The real and the lasting development of cotton mills in South Carolina might be started with the Graniteville Cotton Mill. . . ." Cf. Gregg, Domestic Industry, pp. 24–25.

[37] "Cheapness of cotton, abundance of water-power, the resources of the coal-fields, when steam began to supplant the dam, the other mineral resources, and the wealth of forests . . . did not even attract from other parts sufficient capital to develop the section to anything like its full extent. No artificial expedients were necessary there. But capital did not come" (Ingle, p. 73). A propagandist of the early eighties, desiring to organize small cotton mills in the South, quoted with approval a correspondent of the Morning News of Savannah, declaring that before the War the planters saw the advantage for such establishments but were deterred from manufacturing because "slavery and the factory were declared to be incompatible institutions. They could not exist together" (W. H. Gannon, The Landowners of the South, and the Industrial Classes of the North, p. 9 ff.).

view of the independent white workman the presence of the negro in slavery held as a far more forcible objection than the presence of the negro in freedom. His killing economic competition and radiated social poison were beyond dispute and beyond prospect of remedy until he was made at least a free producer. Any prospect of immigration for the South has taken its rise from the Civil War.

It was slavery that made plantation self-sufficiency in primitive needs universal, that made isolation and physical barriers to intercourse. The credit system in its heyday rested in large degree upon supply by the factor of all industrial products, which needs must be sustained so long as every local energy was foredoomed for absorption into cotton growing.

It cannot rightly be said that the traditional antipathy to manufactures was "opposed to the obvious interests of a region where idle white labor, abundant raw materials, and ever-present water-power seemed to unite conditions so favorable to textile industries," if it is meant that these interests, clear enough to us now, were obvious to Southern consciousness and purpose then. This applies particularly to the labor factor. It will be seen later that in the period before the War the mills often employed slaves as the exclusive operatives; in some cases negroes were employed with whites, and finally and more importantly, through Reconstruction years and at the very outset of the cotton mill era the inclination of establishers of factories was frequently to engage negro hands and to induce operatives to come from the North and even from England and the Continent —overlooking the native white population as a useful supply of workers as though it had not been there. Before the War the presence of raw cotton was certainly thought of rather as a guarantee of economic independence than as a stimulus to produce within the section those products of manufacturing which the staple was potent to purchase from outside.

It is not implied that conspicuous promulgators and ex-

emplars of the need for a change in economic activity, such as William Gregg and some others, were not products of a reaction that showed itself from the long continuance of slavery, but they stand out, impotent as they are striking, against a dull and motionless background of prevalent system. They cried in a wilderness.

Materials and viewpoint are both too well understood to require further demonstration of the preventive influence which slavery and cotton had upon industry in the South. Yet a few observations of Southern men are interesting just at this point. Henry Watterson has said: "The South! The South! It is no problem at all. The story of the South may be summed up in a sentence: she was rich, she lost her riches; she was poor and in bondage; she was set free, and she had to go to work; she went to work, and she is richer than ever before. You see it was a groundhog case. The soil was here, the climate was here, but along with them was a curse, the curse of slavery."[38] Probably not over-induced by bitter animus is Helper's direct charge:

> In our opinion, an opinion which has been formed . . . from assiduous researches, . . . the causes which have impeded the progress and prosperity of the South, which have dwindled our commerce . . . into the most contemptible insignificance; sunk a large majority of our people in galling poverty and ignorance, rendered a small minority conceited and tyrannical . . .; entailed upon us a humiliating dependence upon the Free States; disgraced us in the recesses of our own souls, and brought us under reproach in the eyes of all civilized and enlightened nations—may all be traced to one common source, and there find solution in the most hateful and horrible word that was ever incorporated into the vocabulary of human economy—*Slavery!*[39]

Tompkins saw clearly and in effect said again and again, "the result of the introduction and growth of the system of slavery was revolutionary; it turned the energies of the people almost wholly to the cultivation of cotton; it practically destroyed all other industries. . . ."[40]

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[38] Quoted by A. B. Hart, The Southern South, pp. 231–232.

[39] Helper, p. 25.

[40] Tompkins, History of Mecklenburg, vol. i, p. 100. "There were no industries requiring skill or thought, and there was no necessity for scientific farming or anything else scientific. . . . Slavery not only demonstrated that people will not think unless it is necessary,

Not only did slavery hold the South down to supplying the raw material, but while its baneful influence lasted few improvements were made in the methods or appliances even for the growing and preparation of cotton for the market. As in India and China today, the cheapness of labor made ingenuity, enterprise and machinery unnecessary. Except in size and superficial appearance there was no change in the ante-bellum gin, gin-house and screw from 1820 to 1860. But after the War came a feeder, a condenser, a hand-press in the lint room, and cotton elevators.[41]

If Cotton was King, the monarch was an imperious and

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but also that they will not work unless it is necessary (ibid., pp. 98–99). This statement is strongly influenced by Tench Coxe. It has been said of the Irish people by Lord Dufferin that "the entire nation flung itself back upon the land, with as fatal an impulse as when a river, whose current is suddenly impeded, rolls back and drowns the valley which it once fertilized." Sir Horace Plunkett comments: "The energies, the hopes, nay, the very existence of the race, became thus intimately bound up with agriculture" (Sir Horace Plunkett, Ireland in the New Century, p. 20). "By the influence of the negro the South lost its manufactures and largely its commerce, and became practically a purely agricultural section of the nation" (Tompkins, ibid., vol. ii, pp. 200–201; cf. ibid., Cotton Growing, pp. 3–4). As to the usefulness of negroes in latter-day cotton mills, this manufacturer advised: "Dependence upon the negro as a laborer has done infinite injury to the South. In the past it brought about a condition which drove the white laborer from the South or into enforced idleness. It is important to reestablish as quickly as possible respectability for white labor" (ibid., Cotton Mill, Commercial Features, pp. 109–110). Cf. ibid., Building and Loan Associations, p. 43; The Cultivation, Picking, Baling and Manufacturing of Cotton, from the Southern Standpoint, pp. 5–6; F. T. Carlton, History and Problems of Organized Labor, pp. 19–20.

[41] "The cotton was packed by hand, carried into the gin-house in baskets by laborers, carried to the gin by laborers, pushed into the lint rooms, carried to the screw, packed in the box of the screw and bound with ropes, all by hand," but since the abolition of slavery "all the machinery and appliances for preparing cotton for the market have been revolutionized" (Tompkins, Cultivation, Picking, etc., of Cotton, pp. 5–6). See others of his writings for a full discussion of this point. Cf. M. B. Hammond, The Cotton Industry, pp. 77–78, and, for a detailed account of bad preparation of cotton down to 1880, Edward Atkinson, in U. S. Census of Manufactures, 1880, "The Cotton Manufacture," p. 4 ff. "No slave-holding people ever were an inventive people. In a slave-holding community the upper classes may become luxurious and polished; but never inventive. Whatever degrades the laborer and robs him of the fruits of his toil stifles the spirit of invention and forbids the utilization of inventions and discoveries even when made" (Henry George, Progress and Poverty, twenty-fifth anniversary ed., p. 523).

narrow-minded tyrant, who cramped the development and put blinders to the vision of the country. Said William Gregg in 1845:

> Since the discovery that cotton would mature in South-Carolina, she has reaped a golden harvest; but it is feared it has proved a curse rather than a blessing, and I believe that she would at this day be in a far better condition, had the discovery never been made. . . . Let us begin at once, before it is too late, to bring about a change in our industrial pursuits. . . . let croakers against enterprise be silenced. . . . Even Mr. Calhoun, our great oracle . . . is against us in this matter; he will tell you, that no mechanical enterprise can succeed in South-Carolina . . . that to thrive in cotton spinning, one should go to Rhode Island. . . .[42]

"The invention of the cotton gin," wrote Tompkins, ". . . before 1860 . . . was nearer anything else than a blessing. It was primarily responsible for the system of slavery. . . . Cotton . . . in its manufacture . . . is the life of the South, but we could probably have done as well without it until we began to manufacture it."[43]

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[42] Domestic Industry, pp. 18–19.

[43] History of Mecklenburg, vol. i, p. 194. For a careful description of the circumstances surrounding the invention of the cotton gin, and the legal documents in the dispute over the rights to it, cf. ibid., Cotton and Cotton Oil, pp. 19–31, and appendix. "We abandoned a once leading factory system; we imported slaves; we let all public highways become quagmires; we destroyed every possibility for the farmer except cotton and by cutthroat competition amongst ourselves we reduced the price to where there was not a living in it for the cotton producer. We made cotton in a quantity and at a price to clothe all the world excepting ourselves" (ibid., Road Building, p. 24). "The economic history of the South from the Revolution to the Civil War is a record of the development of one natural advantage to the neglect of several others. Fitted by nature to support a large population engaged in a variety of pursuits based upon agriculture, it had a small population occupied in the production of raw material that contributed to the maintenance of a dense population in regions where artifice contended against harsh climate and a stubborn soil" (Ingle, p. 47). Cf. Burkett and Poe, Cotton, pp. 312 and 313; E. C. Brooks, The Story of Cotton, p. 157; Thompson, pp. 44; Miller and Millwright, quoted in Manufacturers' Record, Baltimore, Feb. 22, 1883. Gregg showed that cotton, the great god, drove agricultural enterprise from South Carolina, for, with the returns to its cultivation under ordinary management amounting to only 3 or 4 and in some instances only 2 per cent, the inclination for planters to remove with their slave capital to the richer Southwest was strong, thus keeping the population of the State at a standstill (Domestic Industry, p. 18). "Perhaps the most striking economic change that the new industry [cotton culture] effected in the South

The old South had much in common with mercantilist feeling. Though coin for coffers was not precisely the aim, there was the settled ambition for exportation of a money crop that involved self-exploitation and left no room for sectional introspection. The economic system was full of inhibitions, the all-pervading effect of which cannot be calculated. In accounting in 1856 for the stagnation of Virginia as compared with the industrial activity of New England and Old England, Olmsted wrote:

> It is the old, fettered, barbarian labor-system, in connection with which they [Virginians] have been brought up, against which all their enterprise must struggle, and with the chains of which all their ambition must be bound. This conviction . . . is forced upon one more strongly than it is possible to make you comprehend by a mere statement of isolated facts. You could as well convey an idea of the effect of mist on a landscape, by enumerating the number of particles of vapor that obscure it.[44]

Duping of the people through charlatan guidance of political leaders is too evident in the South of today to require description of its operation in an earlier period.[45] A re-

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after the reintroduction of slavery was the speedy abandonment of manufactures. . . . What was the use of nerve-racking investment in elaborate and costly machinery when a land-owner could reap ten per cent net profit from a few negroes and mules and a bushel or two of the magical cotton seed? And yet the South had unusual manufacturing facilities. . . ." (Scherer, p. 168 ff.; cf. ibid., pp. 243, 254; Ingle, pp. 49, 139; New York Herald, quoted in News and Courier, Charleston, March 9, 1881; F. L. Olmsted, Seaboard Slave States, p. 138). The social difference between North and South before the War, so often remarked as existing of itself apart, is accounted for by slavery, which arrested development on Southern soil of the industrial type of American civilization (A. D. Mayo, in The Social Economist, Oct., 1893, pp. 203–204).

[44] Olmsted, pp. 140–141, cf. ibid., p. 185; pp. 213–214. "The amount of it, then, is this: Improvement and progress in South Carolina is forbidden by its present system" (ibid., pp. 522–523). And for his general philosophy of the subject, see ibid., pp. 490–491). He took as an average expression of the views "of the majority of those whose monopoly of wealth and knowledge has a governing influence on a majority of the people," the statement of a newspaper in 1854: "African slavery . . . is a thing that we cannot do without, that is *righteous, profitable,* and permanent, and that belongs to Southern society as inherently, intricately, and durably as the white race itself" (ibid., pp. 298–299).

[45] There are many instances similar to that of a famous election speech in Virginia in the fifties, in which the aspirant declared to his audience: "Commerce has long ago spread her sails, and sailed

flection as sorrowful, however, as the confirmed bias of the people shown in applause to such guidance, is the blindness of the leaders who, no doubt with strong elements of trickery, gave even stronger signs of being themselves duped by a situation. Not that the crowd was believing, but that spokesmen were so largely sincere, was most melancholy. The drug had ceased to lead to remorse, and began to bring hallucinations.[46] Approaches to rational statesmanship and reasonable moves toward balanced economic activity, found especially in the border States, could be nothing more than

away from you . . . you have set no tilt-hammer of Vulcan to strike blows worthy of the gods in your iron-foundries; you have not yet spun more than coarse cotton enough, in the way of manufacture to clothe your own slaves. . . . You have rallied alone on the single power of agriculture—and such agriculture! . . . Instead of having to feed cattle on a thousand hills, you have had to chase the stump-tailed steer through the sedge-patches to procure a tough beef-steak (laughter and applause). . . . The landlord has skinned the tenant, and the tenant has skinned the land, until all have grown poor together." "And how," asks Olmsted, "does the fiddling Negro propose, it will be wondered, to remedy this so very amusing stupidity, poverty, and debility? Very simply and pleasantly. By building railroads and canals, ships and mills; by establishing manufactories, opening mines. . . . And, 'Hurrah!' shout the tickled electors; 'that's exactly what we want.'" And then he showed that it was much like the quack telling the confirmed paralytic to live generously, take vigorous exercise and grow well; that with the disease of slavery in its vitals the South could not do else than languish; that in promising wholesome measures which contemplated everything but the attacking of slavery the politicians were just laughing at the people (Olmsted, p. 288 ff.; cf. ibid., pp. 179–180).

[46] A passage of Sir Horace Plunkett in comment upon Irish politics is much to the point: "Deeply as I have felt for the past sufferings of the Irish people and their heritage of disability and distress, I could not bring myself to believe that, where misgovernment had continued so long, and in such an immense variety of circumstances and conditions, the governors could have been alone to blame. I envied those leaders of popular thought whose confidence in themselves and in their fellows was shaken by no such reflections. But the more I listened to them, the more the conviction was borne in upon me that they were seeking to build an impossible future upon an imaginary past" (Ireland in New Century, p. 147). Cf. Tompkins, Cotton Mill, Commercial Features, preface to appendix, for an incident related of William Gregg and an opponent in an election campaign, which, despite its incidental happening, shows aptly just the point of preoccupation with politics to which the Southern mind came, the degree of trifling with which the most sober proposals were met, the hopelessness of change from this state of affairs by anything short of a fundamental moral awakening.

ineffectual stirrings while slavery persisted, and were less likely of success because the last years before the War, in which they emerged, were given over to such passionate, defiant advocacy of the "Southern institution."[47]

The deterrent effect of slavery upon immigration has been noticed above. In 1860 only 6 per cent of the white population of the South was foreign-born, but immigrants made up nearly 20 per cent of that of the North. In the decade 1850–1860 the South's quota of foreign-born in the whole country dropped from 14 to 13 per cent.[48]

Independent white artizans, so important in the industrial history of the North in this period, avoided competition with slave labor; if this drawback to coming to the South was removed by their acquiring slaves themselves where a few had the means, they must then leave mechanical pursuits; many disapproved of slavery anyway.[49] Completer evidence of the damage wrought by slavery is the actual emigration of natives from the section when slaves were crowding; a portion of the population which under other circumstances might have taken root in industrial enterprise within the South was thus driven off.

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[47] "With the line around slavery being drawn more closely . . . the cotton South lagged in the industrial race, and the border States were hampered by the institution that they felt to be a burden, but which they could see no safe way to abolish. Compassed as it was by political compromises, slavery must ultimately have toppled through its own overweight; but in 1860 it was so valuable for the plantation that it was not only not readily converted into the factory, but was an obstacle in the way of the employment of capital and of other labor in that direction" (Ingle, pp. 68–69).

[48] Ingle, p. 11.

[49] Clark, in South in Building of Nation, vol. v, pp. 213–214. Southern whites were indisposed to welcome those who could not or refused to grow into the slavery system. A newspaper in the fifties betrayed this: "A large proportion of the mechanical force that migrate to the South, are a curse instead of a blessing; they are generally a worthless, unprincipled class—enemies to our peculiar institutions . . . pests to society, dangerous among the slave population, and ever ready to form combinations against the interest of the slaveholder, against the laws of the country, and against the peace of the Commonwealth." But slave-acquiring merchants were cordially received (quoted in Olmsted, p. 511). For interesting facts as to immigration to North Carolina, cf. Tompkins, History of Mecklenburg, vol. ii, p. 204; vol. i, p. 153.

Communities with strong foreign infusion and slight or no reliance upon slavery, showed a vigor before the War which has been to them a continuing advantage into the present.[50] It was observed that competition of the slave was almost matched in hurtfulness by the example of the prosperous white man with whom acquisition of the comforts and dignities of life did not proceed from daily toil.[51]

The dependence of the ante-bellum South upon the North and upon Europe for the most substantial and trivial appurtenances of civilization was spectacular. It might be argued in apology for the total one-sidedness of the old South, that the section was responding to the principle of comparative economic advantage. Certainly the most absolute adherence to the territorial division of labor could not require a more exclusive devotion to the making of cotton and fuller reliance upon less peculiarly favored districts for manufactured goods and certain foodstuffs and materials, than the South displayed. But however strict in its conformity to superficial dictates of this policy, the program was ruinous to the section and the country, and was hurtful to the economic welfare of the world. Easy yield-

[50] In the fifties it was declared that the most prosperous community in South Carolina was a settlement of Germans in the western part of the State. Here had been founded an educational institution, varied manufactures, farming was successful and capital was invested in a railroad venture. Slavery bore small part (Olmsted, p. 511). In 1865 the northwestern counties of Georgia, strongly opposed to secession and which furnished soldiers to the federal armies, were held to be better disposed toward the national government than any other part of the State; slaves had constituted less than a fourth of the population. Though cruder than those from the seaboard, delegates from this section to the constitutional convention of 1865 were said to have a well-informed outlook for the Commonwealth (Sidney Andrews, The South Since the War, pp. 342–343). Study of the conventions of other States immediately succeeding the War shows "up-country" representatives, as contrasted with those of the "low country," more easily adjusting themselves to the new condition and readier to go ahead with a changed program. It was said that at a time when the average wage of female operatives in Georgia cotton mills was half that paid in Massachusetts, New England factory girls were induced by high wages to go to the Southern State, but returned North because their position was unpleasant in "the general degradation of the laboring class" (Olmsted, p. 543).

[51] Ibid., p. 201.

ing to the principle did not suggest to statesmen that the South after all was in only partial compliance—that even for the most efficient production of cotton as such there needed to be a wholesome admixture of manufacturing and of other agricultural interests. Post-bellum industry brought not a less but a more economical and larger output of the staple.

The very humor of many passages in the literature of the economic history of the South, describing the need of the section to go to the North for a thousand and one essentials of daily existence, shows the seriousness of the situation. Gregg, too lonely in his advocacy of home industry to treat the subject in other than its fundamental aspects, declared: "A change in our habits and industrial pursuits is a far greater desideratum than any change in the laws of our government . . . ," and "if we continue in our present habits, it would not be unreasonable to predict, that when the Raleigh Rail-Road is extended to Columbia, our members of the Legislature would be fed on Yankee baker's bread. Pardon me for repeating the call on South Carolina to go to work." His own city of Charleston, than which there was no greater sinner, had regulations against the employment of steam engines that stand in striking contrast to the arguments for the comparative advantage of steam as against water power at a later date when the city centered attention upon building a cotton factory.[52]

[52] "God speed the day when her [South Carolina's] politicians will be exhorting the people to domestic industry, instead of State resistance; when our Clay Clubs and Democratic Associations will be turned into societies for the advancement of scientific agriculture and the promotion of mechanic art; when our capitalists will be found following the example of Boston and other Northern cities, in making such investments of their capital as will give employment to the poor, and make them producers, instead of burthensome consumers; when our City Council may become so enlightened as to see the propriety of following the example of every other city in the civilized world, in removing the restrictions on the use of the Steam Engine, now indispensable to every department of Manufacturing. . . ." And again: "He who has possessed himself of the notion that we have the industry, and are wronged out of our hard earnings by a lazy set of scheming Yankees, to get rid of this delusion, needs only seat himself on the Charleston wharves for a few days, and

A decade later Helper reproached a South that had not given heed to Gregg: "It is a fact well known to every intelligent Southerner that we are compelled to go to the North for almost every article of utilty and adornment, from matches, shoepegs and paintings up to cotton-mills, steamships and statuary. . . . All the world sees, or ought to see, that in a commercial, mechanical, manufactural, fiancial and literary point of view, we are as helpless as babes. . . ."[53] Gregg remarked the supply by the North not only of the articles of major manufacture, but of those adjuncts of agriculture which would naturally be made within the South—axe, hoe and broom handles, pitchforks, rakes, hand-spikes, shingles and pine boards.[54]

A newspaper in Richmond chronicled the sale to Northern interests of a large coal field in the State, and in unconscious irony placed in juxtaposition to the notice this confident exhortation:

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behold ship after ship arrive laden down with the various articles produced by Yankee industry" (Domestic Industry, p. 9 ff.). "The labor of negroes and blind horses can never supply the place of *steam*, and this power is withheld lest the smoke of an engine should disturb the delicate nerves of an agriculturist; or the noise of a mechanic's hammer should break in upon the slumber of a real estate holder, or importing merchant, while he is indulging in fanciful dreams, or building on paper, *the Queen City of the South. . . .*" (ibid., p. 23).

[53] Helper, pp. 21, 23. Cf. for other interesting illustrations of dependence upon the North, some of which influenced Henry W. Grady. An orator at the Southern Commercial Convention, New Orleans, 1855, adapted for the occasion the famous speech in the British Parliament on taxes, and beginning, in the Southern version: "It is time that we should look about us, and see in what relation we stand to the North. From the rattle with which the nurse tickles the ear of the child born in the South, to the shroud that covers the cold form of the dead, everything comes to us from the North. We rise from between sheets made in Northern looms, and pillows of northern feathers, to wash in basins made in the North . . . ," and continuing in the strain which was a favorite with platform and pen, and many examples of which may be found (Olmsted, p. 544). Cf. Grady, New South, (ed. 1890), p. 188 ff.

[54] Domestic Industry, p. 8; cf. ibid., p. 11. Olmsted instances a case, probably common enough, where a North Carolina planter was buying hay grown in New York or New England with very large charges for carriage (pp. 378–379). Cf. ibid., p. 175. When Southern industrial resources were exploited, the total benefit might not come to the locality. Thus shipwrights at Mobile were from the North (Olmsted, p. 567).

It is plain that a new and glorious destiny awaits the South, and beckons us onward to a career of independence. Shall we train and discipline our energies for the coming crisis, or *shall we continue the tributary and dependent vassals of Northern brokers and money-changers?* Now is the time for the South to begin in earnest the work of self-development! Now is the time to break asunder the fetters of commercial subjection, and to prepare for that more complete independence that awaits us.[55]

Other appeals to domestic industry were as clearly inspired by sectional animosity; they were incidental to political ambition, and are to be contrasted with the generous, wholesome rallying-cries of the cotton mill campaign twenty-five years later, when economic sanity had gotten the better of partisan futilities. Another Virginia paper, wiser than that just quoted, urging manufacturing in the State and particularly textile mills for Richmond, anticipated with different mind the event invited by its contemporary, and foretold what was later too patent: "It must be plain in the South that if our relations with the North should ever be severed—and how soon they may be, none can know (may God avert it long!)—we would, in all the South, not be able to clothe ourselves. We could not fell our forests, plow our fields, nor mow our meadows. . . . And yet, with all these things staring us in the face, we shut our eyes, and go on blindfold."[56]

In addition to the barrier to manufactures formed by

[55] Olmsted, p. 363.

[56] Ibid., p. 166. An "Address to the Farmers of Virginia," read at a convention for the formation of a State Agricultural Society in 1852, adopted, reconsidered and readopted with amendments, and finally reconsidered again and rejected on the ground that it contained admissions, however true, which would be useful to abolitionists, contained the words: ". . . thus we, who once swayed the councils of the Union, find our power gone, and our influence on the wane, at a time when both are of vital importance to our prosperity, if not to our safety. As other States accumulate the means of material greatness, and glide past us on the road to wealth and empire, we slight the warnings of dull statistics, and drive lazily along the field of ancient customs, or stop the *plow* to speed the *politician*—should we not, in too many cases, say . . . the *demagogue?* . . . With a wide-spread domain, with a kindly soil, with a climate whose sun radiates fertility, and whose very dews distill abundance, we find our inheritance so wasted that the eye aches to behold the prospect" (ibid., p. 169).

cotton cultivation under slave labor, and the silent opposition which the prevalent system engendered, were not infrequent outspoken declarations against industry. William Gregg was one of the few in the South to rise superior to Calhoun's sway, and asserting that there were some who were better able to speak of the propriety of factories than even that statesman, faced him squarely, but tactfully: "The known zeal with which this gentleman has always engaged in every thing relating to the interest of South-Carolina, forbids the idea that he is not a friend to domestic manufactures, fairly brought about, and, knowing, as he must know, the influence which he exerts, he should be more guarded in expressing opinions adverse to so good a cause."[57] And again, speaking of manufactures, he was regretful of the fact that "our great men are not to be found in the ranks of those who are willing to lend their aid, in promoting this good cause. Are we to commence another ten years' crusade, to prepare the minds of the people of this State for revolution; thus unhinging every department of industry, and paralyzing the best efforts to promote the welfare of our country?"[58]

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[57] Domestic Industry, p. 20.

[58] Ibid., p. 14. "Lamentable, indeed, is it to see so wise and so pure a man as Langdon Cheves, putting forth the doctrine, to South-Carolina, that manufactures should be the last resort of a country. With the greatest possible respect for the opinions of this truly great man, and the humblest pretensions on my part, I will venture the assertion, that a greater error was never committed by a statesman" (ibid). The Southern Quarterly Review in 1845, the same year as Gregg's publication, quoted Cheves: "Manufactures should be the last resort of industry in every country, for one forced as with us, they serve no interests but those of the capitalists who set them in motion, and their immediate localities." And Mr. Kohn remarks, "This expression was not peculiar to any one class of leaders in South Carolina at that time," and instances other examples (Cotton Mills of S. C., p. 13). Tompkins comments: ". . . as slavery grew, . . . there was a period from 1840 to 1860, when the interest of the South sorely needed manufacturing as well as agricultural development. Only those men who appreciated this condition undertook to go counter to the growing sentiment in favor of agriculture and slave labor. Those who did continue to manufacture, were necessarily men of broad views and great abilities," and he speaks of some of the notable few—Gregg, Fries, Holt, Leak, Morehead, Hammett (Cotton Mill, Commercial Features, p. 180). Cf. also references to Burkett and Poe and to Brooks, n. 42.

In public-mindedness, in breadth of view, in qualities of imagination, in sanity of judgment that did not sacrifice understanding of his misguided contemporaries, in power of analysis of the confronting situation, William Gregg stood head and shoulders above other Southerners of his time. And only now, seventy-five years later, can his wisdom be thoroughly appreciated. The Lancashire opposition, which, despite the cotton famine, hated slavery and led to British disaffection when the warring South two decades afterwards most needed an ally, brilliantly vindicated his warning to his antagonists that even their selfish ambitions could only be served by attention to such reasoning as he advanced. Gregg said:

> Those who are disposed to agitate the State and prepare the minds of the people for resisting the laws of Congress, and particularly those who look for so direful a calamity as the dissolution of our Union, should, above all others, be most anxious so to diversify the industrial pursuits of South-Carolina, as to render her independent of all other countries; for as sure as this greatest of calamities befalls us, we shall find the same causes that produced it, making enemies of the nations which are at present the best customers of our agricultural productions.[59]

Because of the striking reversal of front of the city at a later date, which will be of central importance in subsequent chapters of this study, Gregg's advice to Charleston's capitalists in 1856 is interesting. Condemning, as a member of the legislature, a proposed subsidy to a railroad to link Charleston and Cincinnati, put forward in furtherance of commercial policies selfishly followed by "wealthy gentlemen, some of whom have ships floating in every sea," he declared that Charleston's destiny was "fixed and indissoluble with the State of South-Carolina, and . . . mainly her great investment in Internal Improvements should be made with a view to developing the resources of the immediate country around her . . . cheap modes of transporta-

Cf. Gregg, Domestic Industry, pp. 19–20. For a very fine passage refuting Cheves' position and defining what the writer meant by "domestic manufactures"—not household industry, but cotton factories throughout the State and craftsmen at every cross-roads—see ibid., pp. 14–16.

[59] Domestic Industry, p. 14; cf. ibid., p. 52.

tion from all quarters of the State could not fail to re-act on the general prosperity of the city . . . the dormant wealth of Charleston might be so directed as to be felt in the remotest parts of the State, in stimulating agriculture, draining our . . . swamps and putting into renewed culture our worn-out and waste lands; diversified industry, stimulating the mechanic arts and increasing the population and wealth of the State." Instead of this he found that "there is no city in the Union which has accumulated more wealth, to its size, than Charleston—none that has shown so little inclination to develop the resources of the State. Her millionaires die in New York. There is scarcely a day that passes that does not send forth Charleston capital to add to the growth and wealth of that great city."[60]

The characteristic inclination toward the individual rather than the corporate form of enterprise which was noticed as showing itself in the South of the Revolutionary Period, was still strong up to the Civil War. In 1845 Gregg inveighed against it, particularly as crystallized in legislative refusal to grant charters of incorporation; he was quick to hold up New England as a business model to the South. Those who have sought to magnify the industrial activities of the old South have frequently failed to take into account the differences in organization which distinguished enterprises then from those of post-bellum years. The textile industry could not be a movement in economic society, sinking its roots deep and extending them broadly, so long as investment participation sprang from and ended with individual initiative. Until the widespread emergence of the joint-stock form, the mills could not claim and embrace the generality of the community's resources. And in a period when this device was not largely turned to, it is plain that industrial stirrings were comparatively feeble.[61]

[60] Speech on Blue Ridge Railroad, p. 67. Cf. ibid., p. 29.

[61] Gregg hoped that dangers to be apprehended from indiscriminate granting of charters to banking institutions would "not be confounded with, and brought injuriously to bear against the charters which are necessary to develope [sic] the resources of our country, and give an impetus to all industrial pursuits. . . . The

The individualism of the old South, the inability to co-operate was due no less to physical than social isolation between portions of the population. Not only was there self-satisfaction coupled with dependence upon the North for manufactured commodities in the low-country, but the up-country, the frugal population of which was better disposed for manufacturing development, was so segregated as to be kept in mean state, or actually dependent itself upon the coastal districts. Between the Piedmont and the sea was the barrier of plantations; between the Piedmont and the industrial North were no transportation facilities. Concentration of capital, especially in the corporate form of industrial enterprise, is a mark of economic integration; in the ante-bellum South many other facts besides the absence of capital concentration show the lack of team work, of conditions making for unity of thought or action.[62]

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practice of operating by associated capital gives a wonderful stimulus to enterprise. . . . Why is it that the Bostonians are able in a day, or a week, to raise millions at one stroke, to purchase the land on both sides of a river, for miles, to secure a great water power and the erection of a manufacturing city? . . . The divine, lawyer, doctor, schoolmaster, guardian, widow, farmer, merchant, mechanic, common labourer, in fact, the whole community is made tributary to these great enterprises. The utility and safety of such institutions is no longer problematical. . . . If we shut the door against associated capital and place reliance upon individual exertion, we may talk over the matter and grow poorer for fifty years to come, without effecting the change in our industrial pursuits, necessary to renovate the fortunes of our State. . . . About three-fourths of the manufacturing of the United States, is carried on by joint-stock companies; . . . we shall certainly have to look to such companies to introduce the business with us." He showed, by South Carolina examples, the perpetuity of the corporate form as contrasted with the frequently limited life of the personal enterprise (An Enquiry into the Propriety of Granting Charters of Incorporation for Manufacturing and Other Purposes, in South Carolina, pp. 4–11).

[62] "Isolation gave birth to individualism, as marked upon the mountain-clearing as upon the plantation; and beginnings of the co-operative spirit were dwarfed by nature and by human inclination . . ." (Ingle, p. 32 ff.). Cf. Clark, in South in Building of Nation, vol. v, pp. 314–315. Olmsted found mountain wagons coming sometimes two hundred miles to the head of navigation in North Carolina (p. 361 and pp. 358–359). The division of capital among small mills rather than its investment in larger factories is paralleled by the relatively larger number of church buildings in the South than in the North, with, however, relatively small seating capacity (Ingle, p. 32 ff.). The same tendency may be seen in respect to poorhouses,

The non-industrial character of the old South may be seen not only in internal fact, but in external reflection equally conclusive. Of external evidences, the political perhaps most readily occurs to one. Pervasive economic conditions come certainly to the surface in political pretensions; economic transitions are registered in alterations of political front. The protective tariff of 1816 was introduced and defended, respectively, by two South Carolinians—Lowndes and Calhoun. The signature of a Virginia president—Madison—made it a law. This tariff was opposed by New England in the person of Webster. In 1828, in the debate over the "Tariff of Abominations," the situation was just the reverse—Calhoun opposed protection, Webster championed it. In swapping sides, both men were answering to the changed economic interests of their respective sections. No clearer picture is needed of the trend of the South in ante-bellum years than the spectacle of Calhoun transformed from nationalist to sectionalist.[63]

Cotton, nearly exclusively in the South, and to a notable degree in New England, was responsible underneath for the alterations which were displayed in the superficial play of politics. It was the disintegration of manufactures brought about by more and more extensive embracing of cotton cultivation that turned the South from protection to free trade; it was the growing absorption in industry, especially cotton manufacture, and relative relinquishing of commerce, that made New England protectionist instead of, as before, the champion of free trade.[64]

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asylums, hospitals and jails (Dodd, Expansion and Conflict, p. 231; cf. industrial map for 1860, p. 188, showing few plants of an output of $250,000 south of Maryland).

[63] Upon this whole matter, see Scherer, p. 179 ff. "In 1816, when Webster opposed protection, there was a capital of only about $52,000,000 invested in textile manufacture, of which much still lay in the South. In 1828, when he reversed his position, this capital had probably doubled, and had become localized in and about New England" (ibid., p. 181). Cf. ibid., p. 234.

[64] Ibid., p. 152. Slavery added to cotton brought the extra confusion of purely political animosities. "At the beginning of the nineteenth century the tariff was not a matter which was exclusively political. . . . The subject ceased to be an economic one and became

This is not the place to remark at length how economic interests are changing the South back, in partial measure, to the first position. Cotton is again central. Cotton factories are largely responsible for the little leaven that is working in a large loaf, producing in the heart of the Solid South Republican adherents and voices for protection. "Slavery has been abolished. The South has reestablished manufactures. Its interests in free trade and protection are changed from what they were in 1860. We need not only domestic trade, but foreign markets. We need, apparently, protection and free trade at the same time. . . . The South is as much interested in protection to home markets as New England is. New England is as much interested in export markets as the South is. In this situation we ought to get together . . . for 'Protection and Reciprocity.'"[65]

It is interesting to examine a summary of the industrial history of the South in the fifty years preceding the Civil War, given by an important writer:

> Between 1810 and 1860 three periods of progress marked the factory development of the cotton states. During our last war with England. . . . mill builders from the North migrated to the Southern highlands, and with local cooperation established small yarn factories at several places in the Carolinas, Georgia, Tennessee, and Kentucky. . . . During the decade ending with 1833, when hostility to the tariff made the Southern people bitterly resent economic dependence on the North, there was a second movement towards manufactures, especially in South Carolina and Georgia, directed mainly towards the erection of larger and more complete factories. This agitation bore fruit in some corporate enterprises, most of which had but qualified success. Finally, in the late forties real factory development began simultaneously at several points, and had not two financial crises and a war checked its progress, we should probably date from this time the beginning of the modern epoch of cotton manufacturing in the South.[66]

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a political one in proportion as slavery grew in the South and diminished in the North, and in inverse proportion as manufactures dried up in the South and became of greater importance in the North" (Tompkins, The Tariff and Reciprocity).

[65] Tompkins, Tariff and Protection.

[66] Clark, in South in Building of Nation, vol. v, p. 316 ff.; Cf. ibid., pp. 330–331. Contrast Tompkins, History of Mecklenburg, vol. i, pp. 133–137.

Two objections against this view have pertinence. In the first place, these three periods of comparative interest in manufactures can hardly be called "movements" in any social or economic sense. That of the twenties and running into the thirties may claim more color of this than the other two.[67] The plants set up by New Englanders earlier were in response to individual enterprise, and that enterprise born out of the boundaries of the South. Cooperation with the newcomers was not of the sort that marks the considerable interest of a community. To the extent that mills were built in the forties as a result of public agitation, William

[67] But some of the agitation for industries in these, as in other years, had a flavor not symptomatic of healthy desire for improvement. Conventions looking to railroad development were held in North Carolina and Tennessee in the middle thirties. Of the advantages which it was agreed would flow from the building of the Charleston and Cincinnati Railroad, it was declared that "it will form a bond of union between the States [i.e., Southern States] which will give safety to our property and security to our institutions" (Tompkins, History of Mecklenburg, vol. i, p. 125). Of more positive character was the utterance of a Southerner who viewed with concern the danger that the North would crush slavery and place the South under complete submission to tariff aggressions, congressional representation for the latter section finding a stop in the limit of slave territory. "Under these circumstances, the true policy of the South is distinct and clearly marked. She must resort to the same means by which power is accumulated at the north, to secure it for herself." If the South should manufacture a large portion of its cotton crop "we reduce the quantity for export, and the competition for that remainder will add greatly to our wealth, while it will place us in a position to dictate our own terms. The manufactories will increase our population; increased population and wealth will enable us to chain the southern states proudly and indissolubly together by railroads and other internal improvements; and these works by affording a speedy communication from point to point, will prove our surest defense against either foreign aggression or domestic revolt. . . . If the evil day shall ever come when the south shall be satisfied that she cannot remain in the Union with safety to her institutions, it [i.e., industrial self-sufficiency] will place her in a condition to maintain her separate nationality" (E. Steadman, of Tennessee, quoted in J. D. B. DeBow, Industrial Resources of the South and Southwest, vol. ii, p. 127). Objection to massing poor whites in mills was combatted by a Charlestonian with the reflection that small farming with slave labor brought discontent that might mean social upheaval, whereas the factory opened a door of opportunity making for stability; when poor whites should have the chance of owning a slave "they would increase the demand for that kind of property, and would become firm and uncompromising supporters of Southern institutions" (Ingle, pp. 25–26).

Gregg was almost wholly responsible. It has been pointed out above that Gregg was a missionary who preached an unaccepted faith. He was not a social exponent. In the second place, it is gratuitous to count upon what would have been the case had not the war broken in upon declared industrial beginnings. The Civil War was not a fortuitous event. It had to come. It was the disastrous evidence of the dominance in the South of a system which gave no room to widespread industrial enterprise. Could the war be regarded simply as an occurrence, an unfortunate happening, there would perhaps be ground for assuming that industrial enterprise might have been built into, and finally changed wholesomely, the economic regime of the ante-bellum South, but facts show that it was a case where mastery between mutually exclusive plans had to be tried on the basis of comparative strength. The spirit for manufactures had not sufficient force to avert the war, but only enough life to show, in expiring, that it had begun to be born.

The decade 1850–1860 has been reserved for specific treatment at this point because two Southern writers have sought, rather dogmatically, to invest it with a character of industrialism superior to that of ante-bellum years generally and to show that it fathered later growth. Mr. Edmonds has said: "A study of the facts . . . should convince anyone that the South in its early days gave close attention to manufacturing development, and that while later on the great profits in cultivation caused a contraction of the capital and energy of that section in farming operations, yet, after 1850, there came renewed interest in industrial matters, resulting in an astonishing advance in railroad construction and in manufactures."[68]

[68] Edmonds, p. 13. It is shown how the course of cotton prices affected industry; from 1800 to 1839 cotton averaged a fraction over 17 cents; in 1840 the price dropped to 9 cents, continuing to decline to the 1846 average of 5.63 cents, when, after a short crop, there was a sharp rise in 1847, only to be followed by a fall to 8 cents and less. "These excessively low prices brought about a revival of public interest in other pursuits than cotton cultivation. . . ." It is said that from 1850 to 1860 the South quadrupled its railroad mi-

It is stated that "Cotton manufacturing had commenced to attract increased attention, and nearly $12,000,000 were invested in Southern cotton mills. In Georgia especially this industry was thriving, and between 1850 and 1860 the capital so invested in that State nearly doubled."[69]

The assertion that in 1860 the South had in all 24,590 industrial establishments with an investment of $175,000,000 loses force when, by a simple division, it is seen that on an average this made the investment in each only $7,144.37, which is surely not indicative of considerable importance. Many of the establishments must have been much smaller than would be represented by this average, and the few which were a great deal larger were rare exceptions. The very disparity in size of enterprises points away from any concerted movement toward manufacturing. As to the railroads, many of them were narrow-gauge, and all the facts tend to show that railroads were looked upon as facilitating commerce rather than manufactures.[70]

In vaunting property figures of the South of 1860 as compared with those of the North, Mr. Edmonds has given himself to the most obvious and serious error of including slaves.[71] Slaves, though in the legal sense agreed to belong

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leage, in the latter year being 387 miles in advance of New England (ibid., p. 10 ff.). For an account of late colonial and Revolutionary development, see ibid., p. 3 ff. Cf. DeBow, vol, iii, p. 76 ff.

[69] Edmonds, Facts about South, p. 10 ff. Judging by the United States census of manufactures, these figures are grossly inaccurate. In 1860 the Southern States had $9,840,221 invested in cotton manufacturing, and in Georgia the investment increased from $1,736,156 in 1850 to $2,126,103 in 1860, or less than 30 per cent (United States Census of Manufactures, 1900, Cotton Manufactures, p. 56).

[70] Even after the war the pet scheme to build a railroad over the mountains gathered sentiment in the long-cherished desire to link Charleston with "the producing interior" typified in Cincinnati; as rails were laid, piece-meal, through the Piedmont, advantages thus afforded for the erection of factories were seldom mentioned. The easier transport of cotton and the development of the South Atlantic ports were the thoughts uppermost. See above, p. 37. In the case of North Carolina, it is said that the railroads by bringing in manufactures cheaper than local plants could supply them, actually hurt the advance of individual enterprise (Thompson, p. 31).

[71] "Blot out of existence in one night every manufacturing enterprise in the whole country, with all the capital employed [he was writing in 1894], and the loss would not equal that sustained by the

to certain persons, were, socially and economically considered, no more property and wealth than were their masters. In their emancipation the South did not lose, but gained, if their labor in freedom may be thought to be more productive than when they were chattels.[72]

Mr. Edmonds makes such over-zealous statements as that "The energy and enterprise displayed by the South in the extension of its agricultural interests was fully as great as the energy displayed in the development of New England's manufactures or that of the pioneers who opened up the West to civilization," and greatly overreaches in his disapproval of the phrase "The New South," "a term which is so popular everywhere except in the South, . . . supposed to represent a country of different ideas and different business methods from those which prevailed in the old ante-bellum days. . . . Its use . . . as intended to convey the meaning that the South of late years is something entirely new and foreign to this section . . . is wholly unjust to the South of the past and present. It needs but little investigation to show that prior to the war the South was fully abreast of the times in all business interests."[73] His real purpose, which does not require ill-considered harking

South as a result of the war. . . . New England and the Middle States, having grown rich by the war, almost trebled their property [from 1860 to 1870] while the South drops from the first place to the third. In 1860 it outranked the Northern section by $750,000,000." Mr. Edmonds does not note the inclusion of the slaves in his "property" figures (p. 18 ff.). In reference to the false idea of prosperity in the ante-bellum South, it has been said: "A delusion of great wealth was created in the listing as taxable property of slaves to the amount of at least two thousand millions" (Hart, p. 218).

[72] "As commonly used the word 'wealth' is applied to anything having an exchange value. But when used as a term of political economy it must be limited to a much more definite meaning, because many things are commonly spoken of as wealth which in taking account of collective or general wealth cannot be considered as wealth at all. . . . Such are slaves, whose value represents merely the power of one class to appropriate the earnings of another. . . . All this relative wealth, which, in common thought and speech, in legislation and law, is undistinguished from actual wealth, could, without the destruction or consumption of anything more than a few drops of ink and a piece of paper, be utterly annihilated" (George, pp. 38–39).

[73] Edmonds, pp. 1–2.

back to ante-bellum years, is to show that "the wonderful industrial growth which has come since 1880 has been due mainly to Southern men and Southern money," and it is well to rest his exposition with the proper statement that "Since 1880" the people of the South "have turned to manufacturing with a facility that not only shows that they are in no way lacking in capability to compete in manufacturing pursuits, but, considering the limited capital, this section has exhibited remarkable gains in developing its resources under adverse conditions. In a little more than a decade from the time the work of development may be said to have begun . . . nobody . . . doubts that the South can compete with New England in the manufacture of cotton goods, but many do doubt whether New England can compete with the South. . . ."[74]

Edgar Garner Murphy embraced the viewpoint and made more categorical the statements of Mr. Edmonds respecting Southern industrial history. "The present industrial development of the South," he wrote, "is not a new creation. It is chiefly a revival. . . . Instead of industrial inaction we find from the beginnings of Southern history an industrial movement, characteristic and sometimes even provincial in its methods, but presenting a consistent and creditable development up to the very hour of the Civil War. The issue of this war meant no mere economic reversal. It meant economic catastrophe, drastic, desolate. . . . Thus the later story of the industrial South is but a story of reëmergence."[75] The steps of Mr. Edmond's argu-

[74] Ibid., p. 21. Cf. ibid., pp. 19–20.

[75] E. G. Murphy, The Present South, p. 97. With modifications prompted by deeper study, Clark has presented about the same interpretation of the decade of the fifties as that of Edmonds and Murphy: "The South resented economic dependence, yet lacked the population, the experience, the capital and the habits that foster manufactures and diversify industries. It was topheavy with cotton, and slave agriculture unbalanced its economic life. . . . Yet had the war not intervened, manufactures would have revived and increased as settlement became denser, railways more numerous, and capital more abundant in proportion to resources, until these states by their own potency would have remoulded their industrial economy" (in South in Building of Nation, vol. v, pp. 330–331). For statements

ment are then repeated, except that Mr. Murphy failed to see the almost total lapse of industrial activity by 1840.

The incentive to discover an industrial past for the section, which Mr. Edmonds found in the desire to establish the South as the magician of her post-bellum awakening, was matched in Mr. Murphy's motive by a more penetrating purpose. In commenting upon the growing importance of manufactures as contrasted with agriculture, which was the most distinctive economic movement after 1880, he declared that "it is but one reassertion of the genius of the old South." Though his words boldly invite such a construction, it was outside of his object to mean by this that a genius for industrialism had run through the earlier history of the section. His true desire was to assert that "The old South was the real nucleus of the new nationalism," the old South in the sense of "the South of responsibility, the men of family, the planter class, the official soldiery, or (if you please) the aristocracy,—the South that had had power, and to whom power had taught those truths of life, those dignities and fidelities of temper, which power always teaches men. . . ." He regretted that this old South was not able to come into force until after Reconstruction because "a doubt was put upon its word given at Appomattox. . . . Power was struck from its hands. Its sense of responsibility was wounded and confused."[76]

This is a fine statement of a primary truth in the development of the South that began about the year 1880. The old South did draw breath with the new. The permanent character of the South, the forces resident in the South of earlier as of later years, were those which largely made possible a complete change in viewpoint, which carried through the measure of, if not indeed giving birth to, a reversed program. But, as Mr. Murphy did not see, there is a radical distinction between the continuity of this quality in the

probably influenced by Edmonds or Murphy, or both, see St. George L. Sioussat, in The History Teacher's Magazine, Sept., 1916, p. 224, and J. J. Spalding, in Proceedings, Fourth Annual Convention, Georgia Industrial Association, pp. 44–45.

[76] Murphy, pp. 10–11.

South and any continuity of its evidences in industrial pursuits. The new South did not receive from the old South a heritage of industrial tradition; what it received was an ingrained and living social morality, not marred in its essential characteristics, and very likely, strange as it may appear, even assisted, by the institution of slavery.[77]

Against some suggestions of an industrial character for the fifties,[78] may be placed much evidence of an opposite nature. Thus Hammond, of South Carolina, in the United States Senate on March 4, 1858, goaded, perhaps, by the assaults of Helper and Seward, is found setting up figures of supposed per capita surplus production of the South as superior to those of the rest of the world, and forgetting that not wealth but economic power is the measure of the strength of a people.[79]

The obsession with cotton, and the crazy confidence which the staple engendered, come out in the defiant valedictory which this spokesman flung to the North: ". . . would any sane nation make war on cotton? Without firing a gun, without drawing a sword, should they make war on us we could bring the whole world to our feet. . . . What would

[77] "This sense of responsibility, deepened rather than destroyed by the burden of slavery, was the noble and fruitful gift of the old South to the new, a gift born of the conditions of an aristocracy, but responsive and operative under every challenge in the changing conditions of the later order" (ibid., p. 21).

[78] A list of cotton factories in Alabama in 1852, the largest of which had only 3,080 spindles, is contained in DeBow, vol. i, p. 233. For a similar list for South Carolina in 1847, see Kohn, Cotton Mills of S. C., pp. 17–18; cf. Gregg, Domestic Industry, pp. 24–25. As to railroads, see DeBow, vol. iii, p. 76 ff. Where cotton mills were urged, the tone of the press might be casual as compared with that characterizing the later period of the eighties when advocacy was passionate; e.g.: "We are glad to learn that our men of enterprise and capital are at length waking up on the subject. This is the best business that they could turn their attention to with the view of realizing profits . . . while at the same time it gives new life and energy to the surrounding community" (North Carolina Standard, Feb. 27, 1850, quoted in Pleasants MS.).

[79] Scherer, p. 235 ff. Cf. Friedrich List, National System of Political Economy. Hammond indulged largely in estimates; as to untrustworthiness of census figures of wealth in these years, see Olmsted, pp. 512–513, and M. T. Copeland, The Cotton Manufacturing Industry of the United States, p. 18, note.

happen if no cotton were furnished for three years? . . . England would topple headlong and carry the whole civilized world with her, save the South. No, you do not dare to make war on cotton. No power on earth dares to make war upon it. Cotton *is* King."[80]

Propaganda toward sweeping in Mexico and the Spanish West Indies to the Southern slavery system, when it became apparent by 1856 that further expansion in the West was impossible, paralleled the academic instruction given throughout his whole career by Professor Dew in the College of William and Mary.[81]

Ship-building, often urged because of superior advantages for the industry, did not take hold in the South.[82] In capital investment, presumption was against everything but cotton cultivation. Those who in the later period invested in manufactures were before the war slave holders. Fear that the presence of manufactures might undermine free trade tenets of the South had some influence against industry.[83] Only inhibitions against manufacturing as pervasive and unconsicous as they were effective can explain the surprise with which Southerners contemplated the failure of cotton mills set in the midst of cotton fields.[84] The pro-

[80] Quoted in Scherer, p. 235 ff. How little thought had been given to the South's economic self-sufficiency appears in this warning to the North: "The South have (sic) sustained you in a great measure. You are our factors. . . . Suppose we were to discharge you; suppose we were to take our business out of your hands; we would consign you to anarchy and poverty" (quoted in Scherer, p. 241). Cf. the spirited dissent from such thinking by Cassius M. Clay, as quoted in Helper, pp. 206–207. Hammond's views are readily amplified by reference to proslavery writings, especially those of Christy, Bledsoe, Stringfellow, Harper, Dew.

[81] Dodd, in South in Building of Nation, vol. v, p. 573.

[82] Cf. Olmsted, p. 539, note, and table on p. 541; Ingle, pp. 70–71.

[83] Cf. Ingle, pp. 70–71. "Of the twenty millions of dollars annually realized from the sales of the cotton crop of Alabama, nearly all not expended in supporting the producers is reinvested in lands and negroes," and from this proceeded "senility and decay" (Hon. C. C. Clay, Jr., speaking to a horticultural society in 1855, quoted in Olmsted, p. 577). Cf. B. F. Perry, in address before S. C. Institute, 1855, quoted in Helper, pp. 229–230.

[84] Cf. Sparta, Ga., dispatch to Charleston News, July, 1855, in Olmsted, pp. 543–544. The decade 1850–1860 was the most prosperous for the cotton industry in the country up to that time (Cope-

portion of slaves in the ten cotton States was greater in 1860 than in 1850,[85] the border States showed a positive increase in number of slaves, cotton planters of the older sections gave themselves to breeding slaves for the Texas market,[86] and the amount of cultivated land increased 16.4 per cent.[87] The cotton crop of 1859–1860 was the largest to that time, being in excess of two billion bales.[88]

No distincter picture of the growing trend in the South away from balanced economic development can be wished than that presented by the series of commercial conventions held in the fifteen years preceding the Civil War. The 1845 meeting, in Memphis, did not allow the recording of a proposition that the seat of government be removed to a place west of the Alleghanies, and passed a resolution affirming that the convention "far from desiring to engender sectional prejudice . . . regard the North and the South, the East and the West, as one people, in sympathy and in interest, as in government and country"; in accordance with the purpose to build up the South, the questions brought before the convention were at first of a practical nature, concerning commerce, manufactures and education. Gradually, however, border States ceased to send delegates, and the conventions were dominated by the political aims of the cotton belt, with politicians, rather than men of affairs, as spokesmen. Such practical measures as were discussed were on lines too broad to be capable of realization. They were such proposals as made resolutions rather than results. The South, so far as she sought industrial advancement, was in a maze, a novice not knowing to what projects to lend strength, never thinking of looking inward and never willing to start with homely enterprises that are suggested by genuine recognition of economic needs. It

land, pp. 73–74). Following opening of railway communication after 1850, which brought in outside manufactures, "the home industry was, as a whole, distinctly less successful" (Thompson, p. 31).

[85] Hammond, pp. 60–61.

[86] Ibid., p. 59.

[87] Ibid., p. 102, note 1. See table in ibid., p. 129.

[88] Ibid., pp. 73–74.

was sought to secure the free navigation of the Amazon, to make passage of the Isthmus at Tehuantepec, to build a railroad from the Mississippi to the Pacific, to secure the introduction of slavery into Central America, to remove obstacles to filibustering plans in Nicaragua. Through the discussions in successive years at Charleston, New Orleans, Richmond, Savannah, Knoxville, Montgomery and Vicksburg the tendency toward politics grew; rather forced pronouncements of belief in the Union carried implication against their sincerity, and were mocked by speedy development of wrangles over the tariff into open use of the word "secession." "Hail Columbia" might be played at a banquet, but response was given to a toast, "The District of Columbia, the battleground for Southern institutions." Washington, and not the Southern States, drew the eye of all.[89]

[89] See Ingle, p. 221 ff. ". . . in all that they said there was an undertone of disappointment and apprehension. They wished to take part, but could not, in what was going forward in the rest of the country. They spoke hopefully of national enterprise, but it was evident that the nation of which they were thinking . . . was not the same nation that the Northern man had in mind when he thought of the future of industry" (Woodrow Wilson, Division and Reunion, p. 164). Cf. Scherer, p. 204. Cassius M. Clay in a speech in 1856 relentlessly pointed out the futility of all the plans proposed: "If there are not manufactures, there is no commerce. In vain do the slaveholders go to Knoxville, to Nashville, to Memphis and to Charleston, and resolve that they will have nothing to do with these abolition eighteen millions of Northern people; that they will build their own vessels, manufacture their own goods, ship their own products to foreign countries, and break down New-York, Philadelphia and Boston! Again they resolve and resolve, and yet there is not a single more ton shipped and not a single article added to the wealth of the South. But . . . they never invite such men as I am to attend their Conventions. They know that I would tell them that slavery is the cause of their poverty, and that I will tell them that what they are aiming at is the dissolution of the Union. . . . They well know that by slave labor the very propositions which they make can never be realized; yet when we show these things, they cry out, 'Oh, Cotton is King!'" (quoted in Helper, pp. 206–207). An observation of Sir Horace Plunkett with respect to Irish leaders is peculiarly applicable here, if Irish nationalism be understood as paralleling true Southern economic needs:" . . . I always felt that an Irish night in the House of Commons was one of the strangest and most pathetic of spectacles. There were the veterans of the Irish party hardened by a hundred fights, ranging from Venezuela to the Soudan in search of battlefields, making allies of every kind

The bias of these last ante-bellum years, lashed to passion by a guilty sectional conscience, or made more wild by the lack of any connected thinking, precluded even the possibility of industrialism. When a gambler on the verge of ruin is desperately playing his last cards he has no time to reflect on past errors of judgment, and no inclination to think of better methods than the fortunes of chance by which to repair a pocket that likely momentarily will be emptied.[90] What did not occur to the leaders did not rise in the thoughts of the people.[91]

Industrialism and the growth of cities are closely connected, yet in the decade of the fifties the advance in population of representative Southern cities was tardy as contrasted with the North and West.[92]

It has been noticed earlier that before the war even agriculture was carried on with the roughest, least efficient tools, such as the "scooter," the "bull-tongue," the scraper, the sweep and hoe.[93] It is found that as late as 1880 patents issued to Southerners were for devices to be employed on

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of foreign potentate, from President Cleveland to the Mahdi, from Mr. Kruder, to the Akhoom of Swat, but looking with suspicion upon every symptom of an independent national movement in Ireland; masters of the language of hate and scorn, yet mocked by inevitable and eternal failure; winners of victories that turn to dust and ashes, devoted to their country, yet, from ignorance of the real source of the malady, ever widening the gaping wound through which its life-blood flows. . . . Irishmen have been long in realizing that . . . there are battles for Ireland to be fought and won in Ireland" (p. 91 ff.).

[90] ". . . the Irish mind has been in regard to economics, politics, and even some phases of religious influence, a mind warped and diseased, deprived of good nutrition and fed on fancies or fictions, out of which no genuine growth, industrial or other was possible" (Plunkett, pp. 122–123).

[91] At the height of this period Helper wrote: ". . . the stupid and sequacious masses, the white victims of slavery . . . believe, whatever the slaveholders tell them; and thus it is that they are cajoled into the notion that they are the freest, happiest and most intelligent people in the world, and are taught to look with prejudice and disapprobation upon every new principle or progressive movement. Thus it is that the South, woefully inert and inventionless, has lagged behind the North, and is now weltering in the cesspool of ignorance and degradation" (pp. 44–45. Cf. Page, pp. 22–23).

[92] Ingle, pp. 14–15.

[93] Cf. Hammond, pp. 77–78. Cf. George, pp. 522–523.

the farm or in the home rather than in mechanical pursuits, thus arguing against any considerable industrial tradition or stirrings before that date.[94]

Gregg warned the South that as surely as she separated from the Union, she would find herself economically unequipped to maintain her position. His words were realized with bitter force. The trial of the war showed how far industry had been neglected. It tore away in an instant a veil of fiction, and showed deplorable fact beneath. Not even the immediate needs of an army, in munitions and ordnance, could be met within the South. Clothing for soldiery and people was lacking, shipyards were small; transportation was insufficient. When cotton could no longer bring in the manufactures of others, the South was left without essentials.[95]

It has been seen how lacking was the ante-bellum South in any industrial character, and how some tendencies in this direction, showing themselves in the years just before the outbreak of conflict, were choked off or perverted by political motive in the rapidly growing hostility to the North. The Civil War, which brought into glaring view the absence of Southern economic self-sufficiency, cleared the

[94] Under date of Nov. 14, 1882, the patent for a loom shuttle was issued to D. A. Willbanks, High Shoals, Ga., but this is the only invention connected with cotton manufacturing revealed by a search of patent lists for many weeks (Baltimore Journal of Commerce and Manufacturers' Record, Nov. 18, 1882). Typical lists of patents issued in the same year to Southerners show: cultivator, saw gin filing machine, vehicle wheel, quilting attachment for sewing machines, rotary engine, couch, combined cotton-planter and fertilizer-distributor, grate feeder, paint, devices for holding the fingers in writing, hoe, animal trap, bottle washer, automatic fly can, spoke socket, cotton chopper, coffee roaster, revolving plow, bread cutter, etc. (ibid., Sept. 26, 1882, and Nov. 4, 1882).

[95] "The story of manufactures in the South from 1860 to 1865 is a record of the efforts of a people, deprived in large measure of the materials that satisfy their needs, to supply themselves without previous preparation with the equipment of war and the resources of peace" (Clark, in South in Building of Nation, vol. v, pp. 330–331). Cf. Scherer, p. 260, note; R. D. Stewart, "Firearms of the Confederacy," in Magazine of Antique Firearms, Dec., 1911; Tompkins, Tariff, p. 5; Thompson, p. 55; ibid., p. 44. It is significant that the exigency was met only by leaning heavily upon domestic household production. See above, p. 35.

fevered, suffocating atmosphere like an electric storm. Misconceived sectional political ambition and fierce protest had ridden to a fall; talent and energy theretofore absorbed to such ends were freed for wholesome introspection and material upbuilding. The Civil War set at rest the political inconclusiveness of the Union, which had operated so harmfully for the South. The political bee, which had been encouraged to buzz in the Southern bonnet by the planter particularism, was silenced.[96] This was the first condition of economic advance. Besides the negative effect of the war, through the issue of the struggle the South was drawn into the national life, and thus was given positive stimulus through the industrial example of the North and East.[97]

With the removal of political obsession vanished its cohort, slavery; slavery gone, it not only became apparent that the South had to change tactics, but that it could change tactics. Thus practical pointings were not more powerful than mental consequents—not just the slaves, but the South as a whole was emancipated.[98]

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[96] Southerners "now renewed once and for all time their allegiance to the Union which had up to that time been an experiment, a government of uncertain powers" (Dodd, Expansion and Conflict, p. 328).

[97] "The planter culture, the semi-feudalism of the 'old South' was annihilated, while the industrial and financial system of the East was triumphant. . . . the east was the mistress of the United States, and the social and economic ideals of that section were to be stamped permanently upon the country" (ibid., p. 328. On the non-industrial quality of the ante-bellum South, see also ibid., pp. 214–215). After emancipation, "the Southern people felt themselves in the throes of an economic revolution leading to a future of diversified industries. The old sentiment in favor of agriculture survived; but faith in it as the sole support of a nation was disappearing. The wealth and power which the North had derived from manufactures was better appreciated" (Clark, in South in Building of Nation, vol. vi, p. 254).

[98] As will be seen later, new opportunities and duties did not break on the South with full force at first. What the war made possible, however, is seen in the following striking statement of a Southern periodical some years afterward: ". . . it has been a very common thing . . . we all know, for one generation after another in southern cities . . . to beguile the monotony of their humdrum life with rosy day-dreams of a far-off greatness that has been always coming but has never come. At last, however, since the annihilation of the institution of slavery, the new awakening of the world under

It will be seen in a later chapter, in examining the widespread building of cotton mills, how completely the South was altered in economic outlook after the Civil War. Not the least satisfactory evidence of this changed character is in the frank avowal of it by Southerners on every hand. The war was in Southern economic history a watershed. In 1882 a publisher in the heart of the South could say: "The old sectional spirit is dying out. You can find few men now who hold the narrow views of former years."[99]

The newness of cotton manufacture, as of industry generally, to the post-bellum South is evidenced in the type of enterprisers who entered the field when its opportunities were understood. There were few experienced men upon whom to rely; it is safe to say that after the war more of the men projecting cotton mills came from any one of the accustomed callings of agriculture, commerce and the professions than from industry.[100] Before the war such propa-

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the intelligent energies of an age of unprecedented progress, the delusive mirage now disappears; and the desert of hope in the South begins truly to grow green with . . . a harvest that is really ripening before the impoverished people who have so long been looking for it and have been so drearily disappointed. . . . At last we know that the South need no longer be nodding, and dreaming, and drooping, over the faded hopes that have for ages attended her traditions; but, under the auspices of a new order of things, that her people have to go on only a little further with the same heroic endurance and the same brave energies now characterizing them, to realize in all its fullness and all its force the great established and imperishable fact that the old Slave States of the Union—themselves emancipated from the industrial incubus of an institution which contracted their spirit of enterprise, enfeebled their energies, and smothered all their industries except that of agriculture,—are now at last standing straight and strong, with a cheering consciousness of their native power in the bounties God has given them. . . ." (Industrial South, Richmond, quoted in Baltimore Journal of Commerce and Mfgrs. Record, June 17, 1882). Cf. Clark, in South in Building of Nation, vol. vi, p. 254, and Grady, p. 270. Tompkins said of one community now noted for its manufactures, "The effect of emancipation upon all classes of industrial life was immediate and revolutionary," and attributed the interest in factories chiefly to abolition of slavery (History of Mecklenburg, vol. i, p. 150. Cf. ibid., pp. 151, 194–196).

[99] Patrick Walsh, of Augusta Chronicle, quoted in Journal of Commerce and Manufacturers' Record, Baltimore, Sept. 30, 1882.

[100] See Goldsmith, pp. 7–8; Clark, in South in Building of Nation, vol. vi, pp. 266–267; Tompkins, Cotton Mill, Commercial Features, p. 180; and the present writer, in Manufacturers' Record, Baltimore, May 10, 1917.

gandists as DeBow, hammering away in his Review for railways, cotton manufactures and direct trade with Europe, were pitifully in the minority. After the war, such adherents of the old order as Bledsoe ridiculed industrialism in vain; warnings against making the "New South" only another North made small appeal to thinking men who cherished precisely this ambition.[101]

How great is the temptation to conceive and attempt to carry through political and social reforms which are really contingent upon economic reorganization, is nowhere more clearly seen than in the period of Reconstruction in the South. These years, filled with the clamor of jealousy and vindictiveness and hurt and passion and greed needed so much of wisdom and patience and, above all, work. Fortunately, economic processes by some magic can usually, however uncertainly, go forward in spite of every political hindrance; the South, if hearing with one ear insults from without, listened with the other to voices from within. The degree of distraction and torment of Reconstruction testifies to the strength of purpose with which the South attended to her own best promptings. It may even be held, perhaps, that Reconstruction, in a certain point of view, was of positive assistance in nurturing the mind for industrial beginnings. There was no question but that the South was exhausted and was being drained of all but self-respect; she was humbled beyond compassion. Former slaves were apparently becoming masters. As a participant in nationality, in appreciation of broad social policies, the South knew that she had made a terrible failure. The fierce pride of the first war years had waned into the hopeless, dogged resistance of the days before Appomattox and flickered out in the degradation that followed. During Reconstruction the South, like a man thrown into prison, had time to reflect on past sins. Though perhaps it was not admitted in word,

[101] See Dodd, in South in Building of Nation, vol. vi, p. 546. For an excellent account of post-bellum activity as contrasted with ante-bellum quiescence, see Tompkins, History of Mecklenburg, vol. i, pp. 150–151, 194–196; Clark, in South in Building of Nation, vol. vi, pp. 262–263.

it was soon to be shown in deed that the South understood the part that slavery had played. A new course must surely thenceforth be adopted. In Reconstruction the South found itself. Not without the material assistance and more generous view that came through agency of Northern men who in this period learned to know the industrial opportunities of the section and were willing to contribute toward its development, it was still primarily a change of heart which the South experienced. In the face of a freed negro population, the idea of work first seriously presented itself to the Southern white mind.

Lack of tangible evidences of this psychological change should not hinder understanding of its presence. During Reconstruction little that was practical could be done, but how earnestly the South had been introspecting and planning is splendidly apparent in the suddenness and vigor with which industrial development commenced once impediments were removed.[102]

It will be seen later that no agency bore a larger part in the rise of cotton mills in the South than the News and Courier, of Charleston. It is therefore important to know that, according to a statement made by the paper in 1880, on the very eve of the great development, its philosophy of

[102] Mr. Clark has well called Reconstruction "a germinal period for manufactures." For a sympathetic interpretation of the meaning of Reconstruction years, see Clark, in South in Building of Nation, vol. vi, pp. 254–255, 262–263, 265–266. Grady wrote in 1889, speaking principally of the period of Reconstruction: "For twenty-five years the industrial forces of the South have been at work under the surface. Making little show, experimenting, working out new ways, peering about with the lamp of experience barely lit, digging, delving, struggling, until at last the day has come, and independence is proclaimed. Now watch the change take place with almost comical swiftness" (p. 270). One cannot but second the appeal of Professor Sioussat: "The political history of reconstruction has been narrated from many points of view, . . . but the vast social and economic changes, which beginning in the reconstruction time are still in progress, usually receive in our text-books less attention. Our girls and boys study carefully the work of the Gracchi, the organization of the medieval manor . . . and the condition of the peasants in France before the revolution. Is it not possible to awaken an intelligent interest in the tasks with which emancipation and the industrial revolution have confronted the people of the South?" (p. 223).

manufactures had been conceived in the thick of Reconstruction. "Ten years ago," it was said, "The News and Courier formulated what is now an accepted truth, in declaring that the remedy for commercial distress in the North and the secret of sure fortune in the South was to bring the mills to the cotton." The thought was not balked by the small success of ante-bellum factories, one of which, established in Charleston long before the war, was at the date of this writing "in the irony of fate, the City Alms-House"; nor was it unassisted by the presence of men in the State "who understood that large profits could be made by well-managed cotton factories." There were at the close of the conflict such mills as Graniteville and Batesville which were gaining reputation, and another important venture was being projected. Around these a body of thought, favorable to manufactures, and new to the South, grew up, and "the expectation of profit, which in those days had something of a theoretical basis," was by 1880 able to stand upon "a solid foundation, supported by . . . indisputable and convincing facts. . . ."[103]

[103] Feb. 10, 1880. A South Carolinian, reminded of the cotton mill boom of the early eighties, led by the press, said "the South had begun to develop and revive before 1880. The papers probably stressed a program which they had already seen started" (M. L. Bonham, interview, Anderson, S. C., Sept. 10, 1916). "No appreciable break occurred in the continuity of cotton manufactures in the South, in spite of the mills destroyed or closed by the war. Before 1870 several of the ruined factories had been rebuilt, and long prior to that others had resumed operations. . . . In 1868 . . . there were sixty-nine mills . . . in operation south of the Ohio and Potomac. . . . By 1870 Southern mill owners were confident they could make yarn five cents a pound cheaper than the Northern factories" (Clark, in South in Building of Nation, vol. vi, pp. 254–255). Cf. ibid., pp. 262–263. The News and Courier declared that "nothing did more to show the practical advantages of a cotton producing State in this matter than the calculation made and published a number of years ago by the President of the Saluda Factory, which showed by actual figures that South Carolina mills could sell ordinary yarns in New York at the price which it cost the mills in New England to make these yarns, and still realize a considerable profit" (ibid.). See a list of mills in operation in South Carolina two years after the war, published in an almanac of Joseph Walker, Charleston, quoted in Kohn, Cotton Mills of South Carolina, p. 19. With reference to the fifteen years following the war, see Thompson, p. 59 ff. For a sketch of the career of H. P. Hammett, typical

We may leave now the period of Reconstruction, with its formative influences, and come to the evidence bespeaking material proof of industrial beginnings after political hindrances were removed, economic strength was being regained and the South could concentrate on its task of manufactures.[104] The Southern States, though regaining self-government generally about 1876, did not get economic freedom of action with political rights. Later, in another connection, it will be shown how the issue of the Hayes-Tilden presidential election helped to delay for four years industrial beginnings. But aside from this, waving the wand of civic independence could not produce cotton mills immediately from a magic hat. Additional years of recovery were necessary, years far from idle, but not marked by widespread activity. The war saw a fevered South completely stricken; during radical rule the victim lay on a bed of torture; while convalescent after 1876, the patient did not comence to sit up and take solid food until about 1880.

There is every reason for selecting the year 1880 as the beginning of cotton manufacturing development in the South. Negatively, foregoing pages have shown that it did not exist, in a proper sense, earlier. Remaining parts of this study will exhibit very positive evidences of alertness and progress after that date. Though there are material bases for grounding the genesis in the year 1880, it is not meant to insist dogmatically upon this precise point of time.

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of the South Carolinians who after the war understood that a profit could be made from well-managed cotton mills, and who in the sixties and seventies was mayor of Greenville, a member of the House of Representatives, a railroad president and mill builder, see Tompkins, Cotton Mill, Commercial Features, pp. 189–190. Renewal of cotton manufacturing in the South closely following disappearance of slavery was generally on old lines and with old machinery, but Hammett's Piedmont Factory was "designed, built and equipped after strictly modern plans" (ibid.).

[104] "While some retrospect is necessary [in studying the history of the New South] the period . . . covered is principally that which began with the close of the reconstruction era, at the time when the South was permitted once more to exercise self-government, and when some progress had been made toward repairing the economic losses of the war" (Sioussat, pp. 223, 228). Cf. Tompkins, Tariff, p. 3.

Certainly, however, much in the way of convenience would be sacrificed by choosing 1879 or 1881. Writers touching the subject, whether careful students or casual commentators, have very generally selected this date as the initiation of the cotton mill era.[105]

[105] "The scope of the history of Southern progress along industrial lines is embraced mostly within the last twenty-five years" (T. C. Guthrie, in Proceedings, 7th Annual Convention, Southern Cotton Spinners' Assn., 1903, p. 44). See this and following pages for an extraordinarily good interpretation of stages antecedent to the rise of the mills. The suddenness with which development began is indicated: "If some soothsayer . . . twenty-five years ago . . . had essayed to predict what the South would accomplish in industrial development . . . and particularly in cotton manufacturing; if he had foretold the hundreds of millions of capital that would be invested; the number of mills; the number of spindles; . . . the quantity of cotton consumed each year; the number of operatives; the value of the annual output—if he had prophesied concerning the meeting here today, the capital, labor, values and territory represented here, he would have been set down as a dreamer of dreams." Another speaker at the same convention referred to slavery as turning back the clock of progress, which, however, started ticking off industrial advance after 1880 (Averill, ibid., pp. 123–124). Noticing the decrease in price of cotton from 1870 to 1879 from 23 to 10 cents, the growing impatience with unreliable freed negroes, the movement of people of means to the cities and willingness to invest in other things than mortgages, Mr. Thompson assumed the same date of commencement (p. 59 ff.). Cf. E. C. Brooks, Story of Cotton, p. 215. Professor Brooks prefers 1880 as the date of the Southern economic renaissance (interview, Durham, N. C., Sept. 18, 1916), and his Story of Cotton shows this clearly, as, e.g., "It was in 1880 . . . that the Southern states turned seriously to manufacturing cotton" (p. 261); he gives a table from which he says "It is apparent . . . that the real factory life in the South dates from 1880 . . . ;" ". . . a new era started in the South about 1880 . . ." (p. 257); "The whole civilization of the South had been overturned, . . . a new era in regard to the value of skilled labor and personal worth was taking the place of the old notions . . . and we have the beginning of the factory system in the South" (pp. 255–256). Mr. Goldsmith calls the year 1880 "epoch-marking" and declares it "marks the turning point in the development of modern cotton factories in the South. . . . A new era dawned" (pp. 4–5). Tompkins related the third period in Southern population history to "the industrial expansion which grew from the business revival . . . following the war," and quoted figures from 1880 (History of Mecklenburg, vol. 1, p. 197). Murphy put stress upon a psychological reversal which argued industrialism: "About the year 1880 the long-waited change begins. By 1890 the industrial revival is in evident progress. By 1900 the South had entered upon one of the most remarkable periods of economic development to be found in the history of the modern industrial world" (pp. 101–102). "From the ashes and ruins left by the war a 'new South' has emerged. Between the cessation of

Innumerable evidences of the newness of the South to cotton manufacture in 1880 crop out, making it clear that united building of mills cannot be placed before that date.

hostilities and the beginning of this development, a period of fifteen years, the South had slowly recovered from the losses which it had suffered. . . . The cotton manufacturing industry has grown up in the South . . . since 1880" (Copeland, pp. 32, 34). "The revolution, . . . the evolution on the 'double quick,' began about 1880 in South Carolina. . . ." (Kohn, Cotton Mills of S. C., p. 20). Cf. ibid., pp. 18–19. "One of the most remarkable features in the industrial history of the Southern States has been the phenomenal growth of cotton manufactures there . . .; from 1880–1890 the number of spindles increased twofold . . . whilst in the following decade the growth was still greater. . . ." (T. W. Uttley, Cotton Spinning and Manufacturing in the United States of America, p. 43). This selection of 1880 is by an English student. Some references far from studied are especially confirmatory; often a painter will half close his eyes to discern tone values: "United States Census figures show that since 1880 the consumption of cotton in mills in the cotton growing states has increased 1,502 per cent. . . ." (Advertisement of Southern Railway in Textile Manufacturer, Charlotte, N. C., Aug. 19, 1915). "In other words, since 1880 the investment in Southern cotton mills has increased from less than fifteen million dollars to more than three hundred and fifty million dollars" (John A. Law, in Proceedings, Robert Morris Club, National Association of Credit Men, 1916, pp. 18–19). Cf. Henry D. Phillips, in The South Mobilizing for Social Service, p. 566; Hart, pp. 224, 232, 242. "It will be seen that the South has been taking stock since 1880, and that economic forces and influences are now better understood than ever before . . ." (Dodd, in South in Building of Nation, vol. vi, p. 550). "Mills were established in Spartanburg County first in 1879 and 1880 in numbers. About these years was the first great activity. The County was crushed before 1879. Before 1876 there was no capital, and the domination of the carpet bag government" (Cleveland, int., Spartanburg). For a looser statement, hardly to be taken in contradiction, see Tompkins, Cotton Mill, Commercial Features, preface. The year 1880 marks not only the beginnings of cotton manufacturing, but was signalized by recovery or new enterprise in other directions. Ante-bellum cotton production of over 5,000,000 bales had been reached again (Sioussat, p. 227, and News and Observer, Raleigh, N. C., Sept. 15, 1880); Tennessee and Alabama boom towns, resting on hopes of iron and steel manufacture, came a little later (Sioussat, ibid.); railroad development took its rise (Hart, p. 227); ". . . it was not until amost 1880 that the public-school idea was accepted as the best solution of the educational problem" (U. S. Bureau of Education, Negro Education, 1917); furniture and vehicle factories appeared in the upland, hardwood sections (Brooks, p. 217); agricultural method and rural life began undergoing reorganization and betterment (ibid., pp. 221–222); public interest in cotton seed oil manufacture started with 1882 (Tompkins, Cotton and Cotton Oil, pp. 210, 214); right of suffrage was withdrawn from illiterate whites and negroes (ibid., p. 64); as to good roads, see Tompkins, History of Mecklenburg, vol. ii, p. 213; the speculation

In this year only one establishment in South Carolina was located within the corporate limits of a city.[106] Descriptions of cotton manufacturing processes had to be of the most primary sort, without technical language.[107] Lack of specialization and even the link with domestic industry showed in at least one conspicuous instance as late as 1880.[108] How largely thought of industrial matters was delayed until 1880 by the issue of the Hayes-Tilden contest will be seen in detail later.[109] Contributing to the lateness of the economic awakening was the fact that South Carolina, which proved so strong in leadership when the movement commenced, was one of the last States to be freed from carpet-bag rule.

The panic of 1873 and the following depression may be considered alone sufficient cause for the failure of these years to show more industrial progress in the South.

From the combined causes of war, paper money, and scarcity of cotton, the price of the staple and of manufacturing machinery soared to monstrous figures, and did not return again to the level of 1860 until about 1880.[110]

In a list of the thirty cities having the largest gross manu-

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of 1879 was held to have set in motion European and American spindles (Commercial and Financial Chronicle, quoted in News and Courier, Charleston, Sept. 12, 1881); "The cotton-manufacturing industry in almost every part of the world has continued to prosper during the past twelve months" (Financial and Commercial Chronicle, quoted in Baltimore Journal of Commerce and Manufacturers' Record, Sept. 9, 1882); ". . . the sudden and wonderful revival of business which took place in the republic during the last half of 1879 . . . had the effect of withdrawing us from the foreign markets to supply our home demands" (American Rail and Export Journal, quoted in ibid., Aug. 26, 1882).

[106] J. K. Blackman, The Cotton Mills of South Carolina, p. 13.

[107] See as to Clement Attachment, Daily Constitution, Atlanta, Jan. 23, 1880.

[108] In connection with the Glendale Factory, D. E. Converse & Co. operated a flouring mill, several gins, a saw and planing mill, and a wool carding mill in which upwards of 10,000 pounds of wool was prepared for the country people (Blackman, p. 10).

[109] See especially, however, correspondence signed "Local," in News and Observer, Raleigh, N. C., Nov. 21, 1880, and quotations from New York Herald and Washington Post in News and Courier, Charleston, March 8, 1881.

[110] U. S. Census of Manufactures, 1880, "Cotton Manufacture," p. 8.

facturing product, the census of 1880 enumerated none in the South, unless Baltimore and St. Louis be counted, and in neither of these did cotton manufacture rank with their six principal industries.[111]

Census figures, inconclusive when examined for particular aspects of the history of the cotton manufacture, show strikingly, when taken for a considerable period, that the Southern industry had its rise in 1880. The following table, covering the years 1850 to 1900 inclusive, gives the course of the mills of the South as exhibited in the most salient features:[112]

Year	Estab.	Capital	Operatives	Spin.	Looms	Lbs. Cotton
1900	401	$124,596,874	97,559	4,299,988	110,015	707,842,111
1890	239	53,821,303	36,415	1,554,000	36,266	250,837,646
1880	161	17,375,897	16,741	542,048	11,898	84,528,757
1870	151	11,088,315	10,173	327,871	6,256	34,351,195
1860	165	9,840,221	10,152	298,551	8,789	45,786,510
1850	166	7,256,056	10,043			

That 1880 was the date of commencement, clearly seen in this tabulation, is also interestingly apparent in interpretations of the figures brought out in successive census reports. No better picture of the way in which the Southern development broke on the national consciousness can be had than by a glance at some of these comments seriatim.

As has been said, up to 1880 the Southern industry had evidenced no extraordinary or convincing advance. It is natural, therefore, to find the census of this year remarking on the degree of Southern growth merely as an extension of the manufacture, and classing the Southern mills with some new ones in the West.[113]

111 "Remarks on the Statistics of Manufactures," p. xxvii.

112 U. S. Census of Manufactures, 1900, "Cotton Manufactures," p. 57. These figures, strictly taken, indicate the decade, rather than the year, of commencement of striking growth. Comments in the census and other evidence, however, fill in the outline here presented.

113 "The cotton manufacture is almost monopolized by New England, Massachusetts alone producing to the value of $74,780,835. The other New England states produce in the aggregate about as

As will be seen later, Edward Atkinson, of Boston, had much to do with rousing the South to economic activity. However, he admitted Southern industrial prospects only when he could not urge a superior advantage in New England or when he knew that to do otherwise would be futile. His comments in the census of 1880 are interestingly indicative of his frame of mind. Dwelling on the new through rail connections in this country, he computed in pound-cents the saving of New England over Lancashire in raw cotton; recognizing that this argument of relative proximity to cotton fields proved too much, applying with greater force to the Southern States, he was obliged to say that "If Georgia has twice the advantage over Lancashire that New England now possesses, it will only be the fault of the people of Georgia if they do not reap the benefit of it."[114] He went on to assert, somewhat contradictorily, that "The charge for moving cotton is becoming less year by year, and it will soon matter little where the cotton factory is placed, so far as distance between the field and the factory is concerned," and suggested that this allowed location of mills so as to utilize assets in climate, labor, and repair facilities

much more. . . ." And in the list of States producing in excess of $2,000,000 each are mentioned Georgia, Maryland, New Jersey, New York, North Carolina, Pennsylvania, South Carolina (U. S. Census of Manufactures, 1880, "Remarks on the Statistics of Manufactures," by Francis A. Walker, pp. xix–xx). Two obvious advantages of Southern mills seemed to be sufficient cause for greater percentage of increase in that section than in other sections. ". . . tables indicate the rapid extension of the cotton manufacture to the southern states, where the cotton is at hand and labor is much cheaper than at the north." Southern spindles increased from 1870 to 1880 by 65 + per cent, in New England 57 per cent, in the Middle States 11 + per cent, in the Western States 46 + per cent, and in the whole country 49 + per cent. "It will be seen that the states of Michigan, Wisconsin, and Minnesota have been added to the list of cotton manufacturing states since 1870" (ibid., "The Factory System of the United States," by Carroll D. Wright, p. 16). "After the success of the power loom the cotton manufacture took rapid strides. . . . Factories sprung up on all the streams of Yorkshire and Lancashire, . . . while in this country the activity of the promoters . . . won cities from barren pastures. They erected Lowell, Lawrence, Holyoke, Fall River . . . and now in this generation the industry is taking root upon the banks of Southern streams" (ibid., p. 8).

[114] U. S. Census of Manufactures, 1880, "The Cotton Manufacture," p. 12. Cf. p. 13.

which were possessed by New England; that the lowest cost of production existed where wages were highest.[115]

He was fond of trying to center the attention of the South on the "preparation" of cotton rather than on its manufacture. Thus he declared that ginning, which must be carried on among the plantations, "is the most important department in the whole series of operations to which the cotton fiber must be subjected; and as yet there has been less of science and art . . . applied to this department than to any other." He exhibited in much detail, on the basis of a private investigation made before the census year, the careless and wasteful way in which cotton was handled in the Southern gins and "screws," but was obliged to admit that by 1883, when his report was transmitted, "the old methods, by which the cotton has been depreciated after it had been picked, are rapidly going out of use." This was partly by agency of the Atlanta cotton exposition of 1881, in which he had been a prime mover, and which it is clear he hoped might direct efforts increasingly to the growing of the staple in the uplands, and the utilization of seed for its oil and food substances.[116]

The position taken in this study, that the Southern cotton manufacturing development really began in 1880, receives striking justification in the comments on the statistics of the industry by Edward Stanwood in the census of 1890. In the figures collected in this year the Southern development since 1880, as contrasted with the previous record of the section, and as compared with the proportionate advance of other seats of the manufacture, was too apparent to be accorded other than frank avowal, leading to speculation as to chances of the rest of the country in maintaining accustomed superiority. "The geographical distribution of the cotton manufacturing industry is an interesting study," Stanwood said, "and it is more especially so at the present time by the fact that during the last ten years a change has been taking place, which, if it should continue, will become

[115] Ibid., p. 14.
[116] Ibid., p. 4 ff.

highly important." He recited that from the beginning New England had been chief in the industry, in 1840 having 70 per cent of the spinning machinery, in 1860 (spindles were not taken in 1850) 74 per cent, 77 per cent in 1870, and 81 per cent in 1880. The 1890 census, however, showed for New England a drop to 76 per cent. In the face of this decrease, he enlarged on the steadiness of concentration in certain New England districts and the success with which Massachusetts alone had maintained its percentage of spindleage increase. But, in spite of having added 2,000,000 spindles, New England was a relative loser by nearly 5 per cent, and for the first time in the census occurs the heading "Growth in the South." And it is declared:

> In considering the geographical distribution of the cotton manufacturing industry the most important fact is the extraordinary rate of its growth in the South during the past decade. For a great many years, probably ever since the cultivation of the cotton plant in the South Atlantic states had a beginning, domestic spinning and weaving of coarse cotton fabrics has been a common fact in the household economy of that part of the country. Here and there small factories were established for the production of heavy fabrics. It is only in the period since the close of the civil war that mills have been erected in the South for the purpose of entering the general market of the country with their merchandise, and almost all the progress made in this direction has been effected since 1880.

It was remarked that the 1880 census showed for all the States south of the District of Columbia, only 542,048 spindles, and that had all these been concentrated in one State it would have raised that State only to seventh place in point of production capacity. "A remarkable development of manufacturing enterprise in the South, based on the nearness of supplies of raw material, which began ten years ago, had no more reasonable field in which to exercise itself than that of cotton spinning. New mills sprang up all over the region, but particularly in the states of North Carolina, South Carolina, and Georgia." In 1890 these three States reported 75 more establishments than in 1880, but even this did not indicate the increase, because some antiquated mills had ceased operation forever, and the average number of spindles to the mill had advanced nearly 73 per cent.

Quite as large proportionate increase had taken place in other Southern States; markets previously in exclusive possession of Northern mills had been occupied by Southern products, finer goods were being manufactured and the new mills were "for the most part equipped with the latest and most improved machinery." Outstanding Southern advantages were partially offset by disadvantages, "some of which time and experience will cause to disappear," and, in place of Atkinson's determined preference for New England, it was declared that "It can not be doubted that the development of this industry in the cotton-raising states is based upon sound commercial reasons, and that it is destined to continue." Increase of manufacturing in the Middle States had been at a slower rate than in any other part of the country, and the development in the West, while exhibiting a good rate of advance, was too small to call for extended notice. While it was recognized that the future growth of the industry, considered geographically, depended upon a variety of factors—cheapness of transportation of raw cotton, nearness to markets for finished goods, economy of power, supply of adaptable labor, spirit of State laws, and, perhaps, degree of humidity—the South was not held to be militated against in any of these respects.[117]

By the time Stanwood came to analyze the figures of cotton manufacture for the 1900 census, events had further

[117] U. S. Census of Manufactures, 1890, "Cotton Manufacture," by Edward Stanwood, pp. 171–172. As will later appear, a good deal had been made of the alleged disadvantage of the South in not having a sufficiently humid climate, but Stanwood showed that the superiority possessed in this particular by the British Isles had been overcome in American mills through use of artificial humidifiers. The whole of his estimate in this census report is interesting as indicating how the southern development was breaking on the national consciousness; special New England localities were given praise, but the rise of the South as a cotton manufacturing section held prominent place in the writer's thought. In addition to the percentage increases in spindles, it is important to notice that in looms, representing completer commencement of capture of the industry, the percentage advance in the United States was 43, in the Middle States 28, Western States 85, New England 35, and in the Southern States was 204 (ibid., p. 171).

clarified his thought.[118] Covered apology for New England in stress laid upon records of special localities, such as that of Providence County, Rhode Island, which had more spindles than any Southern States except South Carolina, had to give way to the frank assertion that "the percentage of New England as a whole has suffered a considerable decline," from 81 in 1880 to 76 in 1890 to 67.6 in 1900.[119]

"The growth of the industry in the South is the one great fact in its history during the past ten years." From 1880 to 1890 the number of establishments advanced 48.4 per cent, from the latter date to 1900 the increase was 67.4 per cent, and the size of mills had easily kept pace. The interpretation of the growth of the Southern industry represents one of the earliest conscious attempts at scrutiny with desire to analyze—Southern cotton manufacture had become not only a fact, but a fact to be studied, appreciated, understood.[120]

Comments on returns in the 1910 census showed the per-

[118] U. S. Census of Manufactures, 1900, Cotton Manufactures, pp. 28–29.

[119] Decrease in number of establishments in New England and the Middle States was said to be more apparent than real, by reason of consolidation of plants and changes in census classification. The Western States were shown to work under disadvantages which dismissed them from further solicitude. Cf. ibid., p. 48.

[120] "Speaking broadly, the cotton manufacturing industry did not exist in the South before the Civil War, and it existed on only the most restricted scale before 1880. . . . It is probably not an exaggeration to say that prior to 1880 there was not a mill south of the latitude of Washington that would be classed as an efficient modern cotton factory, even according to the standard of that time. Before the Civil War the people of the South were almost exclusively engaged in agricultural pursuits. After the war closed it was some years before the people had recovered sufficiently from the disaster to undertake manufacturing." Extended reference to the effects of the Atlanta cotton exposition, the character of the cotton mill campaign, and the lessons learned in matters of machinery will be noticed in another place. It was remarked that the South was making experiments of value to the whole industry, the first and, for some time, the only electrically operated factory being in that section. Instead of the former speculation as to the permanence of Southern mills, it was declared that "The fact that after a phenomenal growth during more than twenty years the expansion of old mills and the erection of new ones are still going on in the South is ample proof of the success of the enterprise," and the steady increase in spindles is given by years.

centages of increase in the leading Southern States to be decidedly greater than those in Northern States, but South was merged with North as going to make up the nearly exclusive seat of the industry, the East. Records of individual Southern States are intermixed with those of States of New England, the former having come into proper comparison with the latter in point of absolute importance.[121]

Census reports uncovered fully, after a period of time, facts which were in part contemporaneously recognized. The following chapter will exhibit this proclaiming of a new day in the South of 1880 in detail; but the whole study really is a justification of the assertion that this date ushered in industrialism. The consciousness of a new economic era, arising in the mind of a theretofore sluggish and perverse South, is the best evidence of the beginning of manufacturing for the very good reason, as will presently appear, that expression of this consciousness went far to create the development.

Preliminary notice of a Charleston newspaper's trade review covering months in 1880 and 1881 said: "In the Annual Review will be exhibited the course and strength of the manufacturing revival in South Carolina, with especial reference, of course, to the progress of manufactures in Charleston."[122] And the summary itself declared: "The industrial feature of the year is the rapid extension of cotton manufacturing in South Carolina in common with other Southern States. . . . diversified industries are taking the place of the exclusive cultivation of cotton. . . ."[123]

Another paper commented on the desire of a Northern contemporary that New England should take steps to progress into the manufacture of finer grades of cotton goods, since it recognized "the great advance we are about to make at the South."[124] How certainly this was a change in Southern experience is shown in the assurance with which altera-

[121] U. S. Census of Manufactures, "Cotton Manufactures," pp. 38–39.
[122] News and Courier, Aug. 16, 1881.
[123] Ibid., Sept. 1, 1881.
[124] The Observer, Raleigh, March 26, 1880.

tion for the better was sensed. Thus, "The cities of the South are rapidly learning to appreciate the great value of manufacturing industries, and the great development of the last year or two is only a beginning of what may be expected when that whole section throbs with industrial life and activity in the near future."[125]

By 1884 the new turn in events was so evident that, in brief retrospect, the date of genesis could be discerned. Of South Carolina it was said: "The State has now recovered the ground that was lost by emancipation, by negro suffrage, by political misrule and official corruption. And the most significant circumstance is that the industrial triumph now proclaimed is mainly the result of the work of four or five years." And a significant point was touched in the observation that "agricultural operations could be carried on with reasonable success, in even the darkest days of strife and misrule, but the undertakings which were dependent on the concentration of capital for their development remained torpid, if not dead, until the return of confidence breathed into them new life and vigor."[126]

By 1880 one of the oldest Southern cotton manufacturing towns had recovered. In 1865 the Federal army burned 60,000 bales of cotton and all the mills of Columbus. "The very heart of the city was burned out. . . . Within fifteen years the waste places have been rebuilt and industry revived from its very ashes."[127]

[125] Baltimore Journal of Commerce and Mfgrs. Record, Aug. 26, 1882. ". . . too little heed is given by manufacturers and mechanics to the immediate prospects opened up by what is termed the new departure of the South; . . . there is no possibility that the South can immediately become a section of great manufacturing centres; but it is unquestionable that a combination of present efforts will in time yield important results" (American Machinist, quoted in ibid., July 15, 1882). Cf. ibid., July 15, and, in connection with buying by Southern merchants, Aug. 26, 1882.

[126] News and Courier, Charleston, Feb. 4, 1884. Giving figures of cotton manufacture, it was said: "In a little more than three years . . . the increase in production was a third more than in the ten years ending in 1880, and the whole production in 1883 was ten times as great as the product in 1860" (ibid.). As to the process of agricultural recuperation, cf. Hammond, p. 166.

[127] Observer, Raleigh, Sept. 10, 1880.

Newspaper notice of organization of the Charleston Manufacturing Company in 1881 was headed, "The dawn of a new era," and the same paper, which did so much to bring about cotton manufacturing, often showed how sharply defined was the movement's beginning.[128]

The 1880 census enabled the South to take stock of its industrial condition as a section and as part of the nation, and furnished a definite basis on which to calculate improvement. Speaking of the increase in manufacture in Augusta, a cotton manufacturer of that city summed up what had been done since the census of 1880, as follows:

> Well, to particularize, the Sibley Mill has been completed; the King and Goodrich Mills built up entirely since that time. The Summerville, McCoy, Globe and Sterling Mills have all been increased largely, and the Enterprise Factory more than doubled. These increments since the meagre census reports were sent in mean 63,000 new spindles, 2,200 additional looms and about 2,200 fresh hands . . . the increase in cotton manufacturing property alone since the census amounts in Augusta to $300,000.[129]

It will presently be shown that the Atlanta Exposition of 1881 had much to do with stimulating interest in cotton manufacturing in the South, and in accelerating and broad-

[128] News and Courier, Charleston, Aug. 1, 1881. Commenting on an address of H. P. Hammett, "Cotton Mills in the South," which was in itself a full exposition which indicated widespread popular inquiry into the subject, it was said that the speaker's own factory "was projected and built before the opening of the Cotton Mill Campaign in the South, and Major Hammett ranks, therefore, as one of the pioneers . . ." (ibid.).

[129] Manufacturers' Record, Baltimore, Feb. 15, 1883. Nine months earlier a Georgia paper could read in the progress since the census the promise of a time when the South might "spin every pound of cotton made upon her fields" (Columbus Chronicle, quoted in Baltimore Journal of Commerce and Manufacturers' Record, Oct. 14, 1882). Cf. Atlanta correspondence of Augusta Chronicle and Constitutionalist, quoted in Manufacturers' Record, Baltimore, Feb. 8, 1883, and Augusta Trade Review, Oct., 1884. A special issue of the Baltimore Journal of Commerce and Manufacturers' Record, Sept. 2, 1882, denominated "an exponent of the new South," gave statistics of the important features of cotton manufacturing in the South, by States, at that date, indicating that from $15,000,000 to $18,000,000 had been invested in the business since 1880. Cf. Manufacturers' Record, Baltimore, March 8, 1883; Baltimore Journal of Commerce and Manufacturers' Record, July 29, 1882.

ening and lending confidence to the "cotton mill campaign." But it was result as well as cause. The rapidity with which the exposition was planned and opened in a small town in the heart of a section unaccustomed to such ventures, and the readiness of response to its appeal cannot be explained except in recognizing that the Southern thought for industry had gone far toward crystallizing. A few years earlier it would have been impossible because the suggestion of such a scheme would have been unmeaning.[130]

After Atlanta had had the faith to act host to the first exposition predicated upon belief in the South's industrial future, other places, by entering eagerly into plans for similar undertakings, testified to the awakening. It was even proposed to duplicate the Atlanta Exposition in Boston; this was perhaps a sophisticated suggestion intended to lessen the enthusiasm for the manufacturing of cotton in the South that had been the rather unexpected outcome of the original exhibit.[131] Baltimore in 1882 tried to launch an exposition that would allow the city to spring into leadership of a movement of proved success, and it was even said that the future of Baltimore would depend upon the way in which the proposal was met.[132] The next year Louisville and Nashville actively entered into rivalry for another

[130] "The Atlanta Exposition, in 1881, was the hopeful and conscious expression of the opening of a new era for Southern industry; . . . consequently, wonderful as has been the growth of this quarter century, it is but the realization of what was even then practically assured by existing attainments and conditions" (Clark, in South in Building of Nation, vol. vi, p. 280). See editorial giving a summary of Atlanta's prosperity in The Daily Constitution, Jan. 2, 1880. ". . . it was all the work of merely ten months from the time the project was conceived until the exposition was thrown open to the people. It was impossible in that short time, at that remote distance, and in that small city, to do the whole South complete justice. But a knowledge of the South's resources was demanded . . ." (J. W. Ryckman, secretary of the exposition, in Baltimore Journal of Commerce and Manufacturers' Record, June 24, 1882). "The visitors to this [exposition] were convinced that 'an industrial revolution had actually been effected in the South . . .'" (Hammond, pp. 328–329).

[131] See Philadelphia Industrial Review, quoted in Baltimore Journal of Commerce and Manufacturers' Record, June 10, 1882.

[132] See ibid., June 10, Sept. 23, Oct. 7, 21, 1882.

exhibition.[133] In 1883 the board of agriculture of North Carolina, aroused to the possibilities of the State, paid a visit to Boston, and the next year occurred the Raleigh exposition. The New Orleans undertaking followed in 1885.

The detailed description of the condition of the cotton manufacture in South Carolina, published by the News and Courier in 1880, was evidence of the same consciousness of industrial stirrings as was the Atlanta Exposition.[134]

There was abundant recognition outside of the South of the industrial awakening that occurred about 1880 and was made manifest in the Atlanta Exposition. Agreement among Philadelphia cotton manufacturers to shorten production of coarser fabrics was held to be as wise as it was significant, for "the time can not be far distant when all our coarse cottons will be supplied from the cotton belt; and the child is born who will see the great mass of cotton manufacturing in all its diversified branches, carried on where the fleecy staple is cultivated."[135]

It naturally took a little time for the reality of the Southern awakening to break upon observers who had hardly expected industrialism from that section.[136]

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[133] Manufacturers' Record, Baltimore, Feb. 22, 1883.

[134] "Attempts have been made at different times to show the extent of the cotton manufactures in South Carolina, but until to-day no thorough and complete statement upon that subject has been given to the public" (Blackman, p. 3). Cf. Kohn, Cotton Mills of S. C., p. 20.

[135] Chicago Herald, quoted in Baltimore Journal of Commerce and Manufacturers' Record, July 29, 1882. A Boston journal struck a generous note that differed from some emanating from New England in an article, "The Drift of Manufacturing": "Another Pittsburgh is growing at Birmingham, Alabama; another Lowell at Augusta; another Lawrence at Columbus. . . . The East has no sole right to the term 'manufacturing'; the drift is Westward and Southward, and is already a larger one than is generally supposed. . . . The time is not far distant when the breeders of domestic strife will be relegated to another clime, or at least to where they will cease attempting to array one set of industries in this great country against another set" (Commercial Bulletin, quoted in ibid., Sept. 23, 1882).

[136] "Progress has been made with considerable acceleration as the wisdom of the new order of things became apparent, until now, when it appears that a new state of things has become established" (Miller and Millwright, quoted in Manufacturers' Record, Feb. 22, 1883). After speaking of the local character of ante-bellum mills, the Dry

Space only remains for bare mention of some objective evidences recommending 1880 as the date to be chosen as that marking the South's industrial awakening. The return to specie payments, bringing confidence to enterprise, showed itself in the veritable boom of the fall of 1879, precipitating events in the South as all over the nation.[137] In 1880 Southern railway building took on new life, roads in financial difficulties being reorganized and narrow gauge being changed to broad gauge.[138] Southerners were accumulating a little surplus cash, as was indicated by their ability to go again to Saratoga and other watering places.[139]

Charleston shipbuilders were busy.[140] Plans for a cotton mill in Charlotte, though going the full length of organization of a company in the middle seventies, did not mature until 1881.[141] Something of the changed impulse back of cotton manufacturing about 1880 may be indicated in the fact that little was heard of extensions of woolen mills, though there had been many small ones in the South. The Clement Attachment, coordinating the work of ginning and spinning cotton, apparently did not cause pilgrimages and attract discussion until 1880.[142]

Goods Economist, in 1896, said: "Whatever the expansion of the cotton industries of the South in the years following close upon the war, . . . such progress pales into insignificance when compared with what has taken place almost within the last decade" (Jubilee number, p. 78). Cf. Baltimore Journal of Commerce and Manufacturers' Record, July 29, 1882; Sept. 23, 1882; News and Observer, Raleigh, Oct. 10, 1880; early suggestion of English interest is seen in a quotation from Iron, Philadelphia, in Manufacturers' Record, Feb. 8, 1883; cf. ibid., Dec. 21, 1882.

[137] See Commercial and Financial Chronicle, Jan. 10, 1880; Copeland, p. 266; Clark, in South in Building of Nation, vol. vi, pp. 264–265.

[138] See Observer, Raleigh, Jan. 15, 1880, quotation from Railway Age; ibid., Jan. 8; Baltimore Sun, Jan. 22, 26, Feb. 2, 20, 1880.

[139] News and Courier, Charleston, May 30, 1881.

[140] News and Courier, April 13, 1881.

[141] Tompkins, History of Mecklenburg, vol. i, pp. 181–182. Agitation for a special school tax, bringing several unsuccessful elections, during which time the school was suspended, resulted in an overwhelmingly favorable vote only in 1880 (ibid., p. 168). The streets of Charlotte began to be paved (Tompkins, Road Building and Broad Tires, p. 6).

[142] See Blackman, pp. 18–19, and many other references in this pamphlet.

The economic South was coming rapidly to a national point of view, strikingly signalized in the invitation of business men to Edward Atkinson to address them in the Senate chamber of Georgia in October of 1880.[143]

Cotton goods in 1880 were in brisk demand, their price advancing more rapidly than that of the raw material; in this benefit Southern mills shared.[144]

Production of cotton in the South had gradually increased by 1880–1881 to three times the number of bales of 1865–1866,[145] and exports of the staple from the section to foreign countries regained 1860 figures by 1880.[146] The abundance of cotton in the section where factories would be likely to start,[147] coupled with the price (on the average about 11 cents), which had resulted through a general fall in the fifteen previous years,[148] was of consequence.

Shortly after 1880 the manufacturing development of the South required special spokesmen and interpreters, and brought publications with such an aim, as the Manufacturers' Record of Baltimore, the Industrial South, of Richmond, and Southern Industries, of Nashville, into existence.[149]

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[143] On this occasion, called by him (proceed. Southern Cotton Spinners' Assn., 1903) "The first opportunity ever given to a Northern anti-slavery man to speak words of truth and soberness to Southern men," Mr. Atkinson said: "Malignant conditions [of disunion] have passed away. The active and vigorous men born of the new South refuse to be controlled any longer by the Bourbons of that section, and the 'stalwarts' of the North, who dare not trust the principle of liberty to work its first results, are being themselves classed as Bourbons incapable of guiding or directing the true union that now exists in this Nation" (Address at Atlanta, p. 8). See also ibid., p. 12, and John W. Ryckman in author's preface of ibid.

[144] See Commercial and Financial Chronicle, Jan. 3, 1880; Baltimore Sun, Jan. 8, 20, 28, 1880; Blackman, p. 15.

[145] Quotation from Bradstreet's, in Baltimore Journal of Commerce and Manufacturers' Record, Nov. 4, 1882.

[146] Brooks, p. 209.

[147] Blackman, p. 7.

[148] Quotation from Bradstreet's, in Baltimore Journal of Commerce and Manufacturers' Record, Nov. 4, 1882. As to improvements in agricultural implements in the South by 1880, see Tompkins, History of Mecklenburg, vol. i, p. 181; a Georgia community wanted an agricultural implement factory; steam engines were sold for farm use (Manufacturers' Record, Baltimore, Nov. 30, 1880).

Managers of the New England Manufacturers' and Mechanics' Institute announced in March of 1883 that space in the exhibition to take place in the fall had been applied for by Southern exhibitors.[150]

Suggesting something as to the date of commencement of cotton manufacture is the fact that in 1886 South Carolina repealed an act of 1872 exempting from state, county and municipal taxes for ten years capital invested in cotton, woolen and paper mills.[151]

In the next chapter it will be seen what positive bearing the defeat of the Democratic candidate in the presidential election of 1880 had upon the Southern cotton manufacturing industry. In this place it is only necessary to note that after 1880 Southern political animus never gave itself again to such bitterness against the North, and thus one undoubted obstacle to economic advance was removed.[152]

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[149] See Baltimore Journal of Commerce and Manufacturers' Record, Aug. 5, Nov. 18, 1882; Manufacturers' Record, Baltimore, Nov. 23, 1882, Jan. 25, 1883.

[150] Manufacturers' Record, Baltimore, March 29, 1883.

[151] Clark, in South in Building of Nation, p. 282.

[152] See statement of executive committee of Columbia and Lexington Water-Power Company, in News and Courier, Charleston, March 25, 1881.

CHAPTER II

The Rise of the Mills

It has been seen how cotton for long years had been hurtful to the South; how it had joined with slavery and secession to bring the disaster of the Civil War; how after humiliating but sobering Reconstruction years the curtain was ready to lift on a new act in which the characters should be chastened in spirit, clarified in thought, and quick to discharge changed rôles. The South by 1880 was ready to be no longer negative, but affirmative; not just the passive resultant of its past, but the conscious builder of its future. From a consequence, the South was to become a cause.[1]

The determination with which the South entered the War was to hold over to receive new application. "The fortitude of the march, the courage of the charge, the heroism of the retreat, the touching sacrifices of the ill-paid and ill-equipped soldier-life—these were to be emphasized and prolonged, when the tattered flag no longer flew, the quick roll of the drum had ceased, and the comradeship of the camp and march was dissolved. From defeat and utter poverty were to be wrought victory and plenty."[2]

The South suffered a change of heart. An altered purpose animated its leaders, and gradually but certainly seized upon its rank and file. President Baldwin, of the Louis-

[1] "There are scores of turning-points" in the history of cotton in America "where, if wisdom had taken the skeins from the hands of prejudice and passion, a righteous and peaceful pattern might have been the result" (Scherer, p. 296). This was a juncture where judgment was to prevail.

[2] Grady, The New South, p. 166. On the Confederate monument in the busy little city of Anderson, South Carolina, are the words: "And above all let him [the truthful historian] tell with what sublime endurance they met defeat, and how in poverty and want, broken in health, but not in spirit, they have recreated the greatness, and made it again the sweetest land on earth. In grateful acknowledgment of their prowess in war, and of their achievements in peace, this monument is erected."

ville and Nashville Railroad, born in Maryland and for many years resident in New York, and so competent to speak for both sections, declared with force:

> The commercial men of the cotton States fully appreciate the situation. . . . They now see clearly how very little politics have done for them, and seriously turn toward the real "reconstruction" which active trade will inaugurate. . . . All the war issues are dead and buried—except to a few politicians who misrepresent their constituents and merely use the language of the past to give them, personally, . . . prominence. . . . True, we hear a great deal more about the few men who stand forth prominently as the advocates of these dead issues than we do of the thousands of young and energetic Southern men who are building cotton and woolen mills; who are opening mines and starting iron, copper and zinc furnaces, or who are relaying the roads between the Atlantic and the Ohio and the Gulf. These men don't talk, they don't write books, they don't go to the Legislature or to Congress. They speak, trumpet toned, in results. . . . Years have brought time for thought, and compulsory thinking has produced marvellous results. . . . The people of the South have suffered—it is not pertinent whether we regard their sufferings as just or unjust—but they have put aside mourning and are ready for work.[3]

A Georgian in welcoming South Carolinians to the Atlanta Exposition said of the display that "It comes at a most propitious moment, for the South, in sympathy with the quickening energies which excite the continent, is even now trembling in the initial throes of the mighty industrial revolution that surely awaits her. A great change is evidently about to come upon us. 'In the fabric of thought and of habit' which we have woven for a century we are no longer to dwell, and a new era of progressive enterprise opens before us."[4] This whole study goes to show a funda-

[3] Quoted from New York Herald, in News and Courier, Charleston, July 11, 1881. "Mills for the weaving of the coarser cotton fabrics are now in successful operation in Tennessee, Georgia, Kentucky and several of the Atlantic Coast States, all of which have been built by native labor, mostly with local capital and are managed by Southern men. . . . The class formerly known as 'poor whites' are . . . assimilating with their more fortunate neighbors. They are making good workers in mine and field, good operatives in factories. . . ."

[4] News and Courier, Charleston, Dec. 27, 1881. ". . . there are 213,157 spindles to Georgia's credit. . . . These are the weapons peace gave us, and right trusty ones they are. . . . The story the spindles tell is one of joy to all, and show (sic) how rapidly we are climbing the hill of prosperity" (Columbus Enquirer, quoted in Daily Constitution, Atlanta, March 9, 1880). Professor Hart has

mental distinction between the English Industrial Revolution and that in the South, namely, that the former was, certainly in its immediate causes, unanticipated, accidental, while the latter was deliberately planned.[5] This is plain in the quotation just given, and at a dinner of the Burns Charitable Association in Charleston, along with toasts to the poet and the queen, this was offered: "The State of South Carolina—A new era of prosperity is about to dawn upon her: increasing commerce, manufactures, agriculture and population, are the echoes of its coming."[6]

Reconstruction governments, under radicals, outsiders and blacks, had attempted a political display through wasteful, ruinous expenditure; it will be seen how different was the program of economic advancement embraced in the "Real Reconstruction" of Southerners come into their own.[7] Observing that "These old commonwealths were

quoted an editorial in a Southern newspaper, presumably of the early eighties, declaring that "the great South . . . is self-contained, and what is more, she is self-possessed, and she has set her face resolutely against the things which will hurt her" (p. 219).

[5] Cf. B. L. Hutchins and A. Harrison, A History of Factory Legislation, pp. 19–20.

[6] News and Courier, Charleston, Jan. 26, 1881.

[7] Cf. Dunning, Reconstruction, pp. 205–206. How much earlier reorganization might have come in the South had not the carpet-bag regime been instituted, may be guessed from the frankness with which South Carolina, which so largely led the revival in the eighties, reentered the Union in 1865. The sincerity and dignity of surrender is sufficiently apparent in the speech of Huger, the aged postmaster of Charleston, in seconding the motion nullifying secession, in the constitutional convention following the war. Of South Carolina he said: "She is my mother; I have all my life loved what she loved, and hated what she hated; everything she had I made my own, and every act of hers was my act; as I have had but one hope, to live with her, so now I have but one desire, to die on her soil and be laid in her bosom. If I am wrong in everything else, I know I am right in loving South Carolina,—know I am right in believing that, whatever glory the future may bring our reunited country, it can neither brighten nor tarnish the glory of South Carolina. She has passed through the agony and the bloody sweat; as we now return her to the Federal Union, let every man do his duty bravely before the world, trustfully before God, remembering each man for himself that he is a South-Carolinian. She has been devastated by the invader, reviled by the hireling, mocked by the weak-hearted, but she has accepted the invitation to return,—accepted it in good faith, with the assurance of a word better than a bond; and now, no matter what she gives up, no matter what there is to endure and to

arrested in their development by slavery and by war and by the double burden of a sparse population and of an ignorant alien race," Walter Page recognized that "The process that has been going on in the upland South in particular is a process of conscious and natural State-building, constructive at every important step," and working itself out through the two instruments of industry and popular education.[8] The quickness with which creativeness displaced destruction showed a purposeful people. "Eighteen years ago," it was written in 1882, "the upper bank of the Augusta canal was walled up with a chain of turretted tenements of brick . . . over which stood, in lofty suggestiveness, the smoke spire. . . . These buildings were frequented by silent men who worked in quiet and in gloom, and who sifted through their machinery the acids and minerals which go to form the explosives of war. From a hundred battle-

forget, let us all do our duty as becomes her children, counting it our chiefest honor to stand by her in evil report as well as in good report, honor alike to live with her and to die with her" (Andrews, The South since the War, pp. 52–53). Orr, deploring quibbles and extenuations, declared: "We must put it in the constitution that slavery is dead, and that we will never attempt to revive it. . . . We seem to forget where we stand; we forget that we made the war and have been beaten; we forget that our conquerors have the right to dictate terms to us. . . . Let us be wise men. Let us strengthen" Jackson's "hands by graceful and ready acquiescence in the results of the war. So shall we strengthen ourselves, and soon bring again to our loved State the blessings of peace and civil rule" (ibid., pp. 61–63). Cf. ibid., p. 94.

[8] Rebuilding of Old Commonwealths, p. 139. Grady's plan—"the settlement of the race problem and the development of the material resources of the South"—was nothing different (see Oliver Dyer, Sketch of Grady, in The New South, pp. 76–77). "Mr. Grady's patriotism partook of the quality of his love; although romantic and general, it was also practical and local. . . . It took hold of the . . . condition and interests of the country—of its diversified industries, its agriculture, its manufactures, its commerce, its internal development, its external relations, its education and its religion" (ibid., p. 20). He said in 1889: "The industrial growth of the South in the past ten years has been without precedent or parallel. It has been a great revolution, effected in peace" (New South, p. 191). On Professor Hart's discussion of the comparative wealth of the South and other sections, it may be commented that given the fact of huge potentialities in the South and of an awakened eagerness to develop these, status counts for little; given the loaf, and the leaven working in the loaf, and the most exacting of economists must be satisfied" (see Southern South).

fields of the civil strife, the blackened granulations of the Augusta Powder Mills flashed and thundered, and when the war was over the mills went down before the ravages of time. . . . To-day, the same spire, with extinguished craters, overlooks the same spot. The same river rolls at its feet; the same hills confront it on the other side. But in place of the scattered walls of war, a massive structure, granite and compact, is reared. In the place of musty explosives of darker days, the purest productions of peace are fed into the present mill, and from its looms will go forth the texture to clothe the people of the land, to weave the white wings of commerce and to float the bunting of the Newer South. The old picture has rolled away—the new one has received a solid setting."[9]

One cannot view the passion with which revival was undertaken without realizing how pointed were the lessons taught the South in the war and its aftermath.[10] Convinced of old errors, the remaking of the South was emphatically in response to a moral stimulus, not less real because not always outwardly apparent. "A man who has been in the whirl of New York or in any of the brand new cities of the great West coming into Charleston might easily enough come to the conclusion that the old city was in a sad state of decadence—but our own people who have been accustomed to its quiet way of doing business, if they have their

[9] Chronicle and Constitutionalist, Augusta, Feb. 23. Though four years earlier North Carolina "would not be caught" in the "Yankee money trap" of the Philadelphia Centennial Exhibition, in 1880 it was being asked: "Shall our Commissioner of Agriculture or our State Geologist be . . . subjected to the mortifying . . . task of standing in those grand halls [of the proposed world's fair of 1883] . . . and present the ridiculous farce of representing this . . . State by showing a dump-cart load of rocks?" (News and Observer, Raleigh, Nov. 12, 1880). Cf. ibid., Dec. 2, 1880. The ten "supreme advantages" claimed by Augusta in 1884 were every one economic, the first being its superiority as "a manufacturing center" (Trade Review of Chronicle and Constitutionalist, Oct., 1884).

[10] Citing statistics of property losses to South Carolina between 1860 and 1870 and the relative gain to a state such as Rhode Island, Murphy wrote: "Beneath these cold and unresponsive figures there lie what tragedies of suffering, what deep-hidden recurrent pulses of despair, of self-repression, of patience, of silent and solemn will, of self-contest, of ultimate emancipation!" (Present South, p. 101).

eyes open (or hearts open would perhaps be the better expression) could not fail to see manifest improvement—progress even, if you like the word better."[11]

As the movement proceeded from introspection, the very genius of "Real Reconstruction" was self-help. It took courage to begin, but confidence rallied about every sign of genuine performance. Thus it was said that "Every true South Carolinian must rejoice at the . . . energy exhibited by the citizens of Columbia in their management of the Cotton-Mill Campaign. For years they have appeared to depend on somebody else to help them. The Legislature made liberal concessions. No effort was spared to interest Northern capitalists in the splendid water power. . . . But nothing was done. Tired of waiting a number of business men in Columbia took up the matter themselves. They soon found that the citizens generally would sustain them. . . . the city is full of life again. A handsome sum of money has been subscribed already to the capital stock of the Cotton Mill Company. . . . It will be a happy day for the whole State when the hum of a myriad spindles is heard on the banks of the historic Canal."[12]

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[11] News and Courier, Charleston, March 24, 1881. Timrod wrote of Charleston:

> "How know they, these busy gossips, what to thee
> The ocean and its wanderers may have brought?
> How know they, in their busy vacancy,
> With what far aim thy spirit may be fraught?
> Or that thou dost not bend thee silently
> Before some great unutterable thought?"

(Henry Timrod, Poems, Memorial Ed., 1899, p. 172). Professor Sioussat has stressed the significance of the economic readjustment between 1865 and 1880, "a readjustment more fundamentally important than the political events which in large degree overshadowed the less dramatic factors" (History Teacher's Magazine, Sept., 1916, p. 224). Cf. Ingle, p. 5. Declaring right after the war that negro slavery had been hardly more debasing than white slavery, Andrews foresaw that the remaking of the South must reach down to basic tasks: "That is the best plan which proposes to do most for the common people" (pp. 387–388). Cf. Clark, in South in Building of Nation, vol. vi, p. 254.

[12] "The News and Courier busies itself with every enterprise, big and little, that will turn a dollar's worth of raw material into more than a dollar's worth of manufactures. . . . we confess to a weak-

This self-reliance never meant exclusion of assistance from the North or elsewhere; it meant a broadening, not a contracting of view. "Some of that credit which was accorded to the man who caused an additional blade of grass to grow should be given to everyone," whether home or outside enterpriser, "who affords facilities to manufacture an additional boll of cotton. . . ."[13] The South, ready to plunge into its task, took stock of itself. "All questions of domestic economy, and especially those involving the capital of our people, whether in the shape of labor or dollars, will necessarily be canvassed and scrutinized very closely in their bearings on our material progress. . . ."[14]

Even those communities most earnest in social regeneration, and most anxious to forget the past in looking to a saner future, very occasionally slipped back into old ruts, and found in material advancement the means of satisfying spitefulness. Thus an attempt to settle foreigners upon a large tract in eastern Tennessee was commended partly because it would increase congressional representation of the

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ness for Columbia, which suffered so sorely at the end of the war. . . . But cotton mills will soon make amends for the vicissitudes and hopelessness of the past . . ." (News and Courier, Charleston, March 19, 1881). Another paper discouraged reliance upon the government for prosperity, and pointed to relief that had come to the West only through self-help: "That government is the best which is not required . . . to pass new laws, leaving to the people the utmost freedom, with full liberty to devote their energies to the improvement of their own condition. . . . We know of no people more favorably situated than North Carolinians are in this respect" (Observer, Raleigh, Jan. 9, 1880). As Ireland in its cooperative agricultural efforts later, the South was experiencing a "combination of economic and human reform" (see Plunkett, pp. 205–206). "There came a different viewpoint," said one informant. "The old South was done away with. The problem was to utilize the thing nearest at hand to support a large portion of our people." And so the North Carolina Board of Agriculture made an investigating trip to New England, and an industrial exhibit was held" (Henry E. Fries, int., Winston-Salem, N. C., Aug. 31, 1916).

[13] News and Courier, Charleston, June 28, 1881.

[14] News and Observer, Raleigh, Dec. 1, 1880. "South Carolina in 1884," a 60-page pamphlet published by the News and Courier after a comprehensive survey of economic conditions prevailing in each county, shows the strength of this spirit. In descriptive detail it is a valuable photograph of agriculture and industry in the State at that date.

South and enable it the better to protect itself against "adverse legislation."[15]

Once awake, how immediately the South went to work is evidenced in notices proclaiming the new order of things. "The time was when the South was exclusively agricultural in its pursuits, but the past few years have seen factories springing up all over this section. . . . The South is destined at no distant day to not only raise cotton . . . but to manufacture it . . . thus keeping at home all the profits."[16] It was recognized that Southern economic life was becoming more diversified, in agriculture and in industry, and so communities were growing independent.[17] The franker and more generous Northern papers joined writers at the South in encouraging the new development. It was generally held at the time that internal impulse was chiefly responsible for the change in program. It could not be said of the South as of the establishment of the factory regime in England

[15] Observer, Raleigh, Aug. 25, 1880. Virginia, never so ardently back of economic recuperation as States to the south, was perhaps hindered by internal dissension over repudiation of part of her debt; the papers at this juncture were filled with political wrangles (cf. Daily Dispatch, Richmond, Feb. 9, March 24, 1880). The proposal to exempt manufacturing plants from taxation, already bringing results further South, could raise protest from the farming interest (cf. ibid., Jan. 14, 27, 1881). Public solicitude over industrial development was far less marked than in the Carolinas and Georgia, partly because of border position of Virginia, partly, perhaps, because there was not the one chief manufacture, cotton, on which to center attention. There was less reliance on home effort, more looking to outside assistance (cf. ibid., March 29, 1880). Mississippi had time for childish vituperation over dead issues. A Wisconsin editor had asked a Mississippi contemporary, "Did you ever read of Appomattox?" He received the reply: "O, Yes! We've read of Appomattox, where a few hungry and ragged thousands surrendered to a man with a million of men under his command. . . . the whole wide world remembers that it required five of your federals to whip one of our confederates. . . . Will you fight for Grant if he should slap a golden crown on his cranium? . . . The last man of you that shoulders a shot-gun in behalf of your gory god will be hunted down like dogs . . ." (quoted in Daily Constitution, Atlanta, Feb. 1, 1880). Cf. a headline in Daily Constitution, Atlanta, April 11, 1880, and colloquies in ibid., March 14, 1880; News and Observer, Raleigh, Dec. 18, 1880; News and Courier, Charleston, June, 1881.

[16] Americus, Ga., Recorder, quoted in Baltimore Journal of Commerce and Manufacturers' Record, Oct. 14, 1882.

[17] Cf. Miller and Millwright, quoted in Manufacturers' Record, Baltimore, Feb. 22, 1883.

that "As a great fact the system originated in no preconceived plan; on the contrary, it was formed and shaped by the inevitable force of circumstance. . . . The first force which tended to create this system was that of invention. . . ."[18] After deploring "the errors of previous generations in their persistent blindness to home possibilities, while spending their money North and abroad," it was declared: "The war cost us heavily—oh! so heavily—but we bent our stout hearts patiently to our tasks, and have profited, and will profit, by its lessons."[19] Contemporary spokesmen were naturally in some instances cautious to explain that "The New South" did not imply repudiation of the best spirit of the old South.[20] An understanding interpreter has observed that Southerners, when slavery and the war were past, "began . . . to beat their swords into plow shares and their spears into pruning hooks and to enter upon the childhood of material growth . . . , to give up the old time Southern ways and ideas of life, and to blend the characteristics of that day with the new spirit of business enterprise and thrift, changing from 'hornets in war to bees in industry.' . . ."[21]

Before 1880 the South had worn a veil before her eyes, had been running a temperature that distorted economic perspective, corrupted public judgment. When the veil was torn off and the fever subsided, normal thinking brought frank avowal of the past distemper. The section had woven "rosy day-dreams of a far-off greatness," and been tortured

[18] Carroll D. Wright, "The Factory System of the U. S.," in U. S. Census of Manufactures, 1880, p. 1.

[19] Augusta correspondence of Savannah Morning News, July 4, 1882. Cf. News and Observer, Raleigh, Nov. 16, 1880, praising the industrial progress of Augusta.

[20] Cf. News and Courier, Charleston, Dec. 27, 1881. Mr. Edmonds' solicitude on this point has been noticed; cf. Edmonds, p. 1.

[21] W. C. Heath, in Southern Cotton Spinners' Assn., proceed., 1903, p. 49. Post-bellum activity in mill building recalled the fact that years before planters had conceived the advantage in manufacturing, but were deterred by slavery; originality, to be effective, needed to work under a new dispensation. Cf. Gannon, Landowners of South and Industrial Classes of North, p. 6 ff.; Andrews, pp. 224–226.

by a "delusive mirage,"[22] but now "The South must . . . look out for herself, and bring her great advantages to bear in her favor, asking only a free field and a fair fight against all competitors. . . . It means work and not words."[23]

To appreciate the strength of the demand for social regeneration, it must be recognized that while cotton manufacturing formed its central purpose, the movement was comprehensive, embracing, in thought if not in deed, many departments of life. Progress along all lines was not simultaneous or equal. It is not hard to see why public education, for example, did not so soon translate desire into realization as did industry. Bread and meat must first be looked to, and the South then could turn to plans which, if more truly fundamental, were still less instantly pressing.[24] If the will was surely present, and it was felt that "The Southern States ought, in justice to posterity, to take this matter of public schools in hand,"[25] it needed twenty years until performance could follow. When the South, after 1900, did embark on an educational campaign, the fervor previously given to industry received new expression.[26] It was "Real Reconstruction" reaching another task.

In the English Industrial Revolution other trades borrowed stimulus from textiles;[27] in the South, where the causal force was subjective rather than objective, this would more certainly be the case. Improvement in farming was

[22] Industrial South, quoted in Baltimore Journal of Commerce and Manufacturers' Record, June 17, 1882.

[23] Gannon, Landowners of South and Industrial Classes of North, pp. 6–7.

[24] "I do not . . . suggest that any other agency of . . . economic progress can be more than a very partial substitute for education; but only that, in the peculiar circumstances of Ireland, we must have recourse to supplementary influences which will produce a more immediate effect upon the general life of the present generation while its young people are being educationally developed" (Plunkett, pp. 51–52).

[25] News and Observer, Raleigh, Nov. 20, 1880.

[26] Sioussat, p. 270. "Enthusiasm like that of a great religious movement developed and the result was that in the decade 1900–1909 the total school revenues in these States had been more than doubled."

[27] Cf. Scherer, pp. 51–52.

especially significant. In the zeal for manufacturing, the temptation would be to neglect agriculture, the old *bête noire,* and so not keep ever in mind the higher wisdom of an economic balance.[28] But exodus of many negroes from a South Carolina county was thought by some a blessing in disguise, in that it would stimulate diversification and rotation of crops, rest land which needed rest; crops requiring less attention than cotton, grain for example, would be raised.[29] North Carolina farmers were encouraged to attend an agricultural meeting in far-away Connecticut.[30]

"We at the South," it was said, ". . . if we intend to turn over a new leaf and seek a new development for our section," must inaugurate shipping relations with Brazil,[31] form something like a Southern chamber of commerce,[32] form a mercantile connection with Cincinnati,[33] send cotton abroad through Southern ports,[34] promote harmony within the section.[35] "The railroad fever is epidemic in Georgia," it was asserted. "Every village wants a railroad to its neighbor."[36] The next year it could be said "There are now over 20,000 men and 100,000 horses and mules employed in railroad building in Texas,"[37] and a North Carolina editor even foresaw danger of railroad domination in state politics.[38]

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[28] A friendly adviser pointed out the danger of excessive manufacturing in England, and urged that the South seek development of agriculture beside industry (United States Economist, quoted in Baltimore Journal of Commerce and Manufacturers' Record, Sept. 30, 1882.

[29] News and Courier, Charleston, Jan. 2, 1882.

[30] News and Observer, Raleigh, Nov. 30, 1880. "Our system of agriculture is too much on the order of present enjoyment and does not have sufficient regard for future use. . . . We would gladly see all of the profits of this year's crop spent on the land itself. . . ." (ibid., Sept. 19, 1880).

[31] News and Observer, Raleigh, Nov. 17, 28, 1880.

[32] Ibid., Dec. 5, 1880.

[33] Observer, Raleigh, April 1, 1880.

[34] News and Observer, Raleigh, Nov. 13, 1880.

[35] Observer, Raleigh, July 11, 1880.

[36] Observer, Raleigh, Feb. 6, 1880. Cf. ibid., Jan. 15, Feb. 20, 1880.

[37] News and Courier, Charleston, May 30, 1881; cf. ibid., April 29, 1881.

[38] Observer, May 1, 1880.

Interest was taken in extension of telegraph and telephone lines.[39] Temperance societies showed augmented support.[40] Duelling was coming to be called murder in South Carolina.[41] The section exulted in the erection of cotton seed mills and exploitation of iron ores and phosphates, cultivation of oranges and rice, and extension of cattle and sheep raising.[42] Cries for colonization of the negro, earlier condemned,[43] had hushed.

More than a contributing cause in the growing desire for economic renovation of the South, and amounting certainly to a decisive accelerant, was the defeat of Hancock by Garfield in the presidential election of 1880. The South, emerging from the humiliation of Reconstruction, had centered hopes on a victory for Tilden over Hayes four years earlier, and when the Democratic candidate was counted out, by a likely fraud as the section was willing enough to believe it, despair gave way to resentment and the Solid South, nursing its pride and revengefulness during Hayes' administration, dedicated itself to Hancock's triumph. In the four years between elections, the South, bearing many real grievances, sought to lighten them by lashing itself to a false ambition. Hancock's success would give answer to the North and cure Southern sorrows. It was looked forward to as "the first full, and fair, and free presidential election in which the South has participated since the war. There will be no intimidation of voters by means of the army. . . . There will be no southern returning boards upon whose venality the republican leaders can rely in case of a close contest."[44]

The shock of Hancock's defeat threw the South, so to speak, back upon its haunches. The days immediately following are surcharged with interest for the student of Southern economic history.

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[39] See News and Courier, Charleston, Jan. 1, May 4, 1881.
[40] Ibid., April 22, May 5, 28, June 13, 1881.
[41] Ibid., March 10, 1881.
[42] Observer, Raleigh, Sept. 4, 1880. Cf. Daily Constitution, Atlanta, March 30, 1880.
[43] Andrews, p. 158.
[44] Daily Constitution, Atlanta, Feb. 15, 1880.

The *News and Observer,* of Raleigh, which had been violently sectional and which for a few days after the election consoled its readers with hope of victory four years hence, within a week changed front and gave expression to a new spirit that, suddenly and with compelling force, was sweeping the people.[45] It was declared that "we have been defeated in the national contest. In the administration of the national government for the next four years we need not concern ourselves, for as far as possible our councils will be ignored. What, then, is our duty? It is to go to work earnestly to build up North Carolina. Nothing is to be gained by regrets and repinings. No people or State is better able to meet emergencies. . . . And what nobler employment could enlist the energies of a people than the developing of the great resources of our . . . State. . . . But with all its . . . splendid capabilities it is idle to talk of home independence so long as we go to the North for everything from a toothpick to a President. We may plead in vain for a higher type of manhood and womanhood among the masses, so long as we allow the children to grow up in ignorance. We may look in vain for the dawn of an era of enterprise, progress and devolpment, so long as thousands and millions of money are deposited in our banks on four per cent interest, when its judicious investment in manufacture would more than quadruple that rate, and give profitable employment to thousands of our now idle women and children.

"Out of our political defeat we must work . . . a glorious material and industrial triumph. We must have less politics and more work, fewer stump speakers and more stump pullers, less tinsel and show and boast, and more hard, earnest work. . . . Work for the material and educational advancement of North Carolina, and in this and

[45] In quotations from influential newspapers it will be observed that the changed view, breaking on the South so quickly, at first carried something of sectional prejudice; industrial upbuilding would be partly spitefulness against the North. But this was the whimpering of a child while drying its tears.

not in politics, will be found her refuge and her strength."[46]

Following the installation of Garfield, another editor finely said:

> But if we lost the victory, in one sense, we have won it in another. We have been taught what the South can do for itself if it wills to do it. If we have lost the victory on the field of fight we can win it back in the workshop, in the factory, in an improved agriculture and horticulture, in our mines and in our schoolhouses. There is where our fight lies now, and the only enemies before us are the prejudices of the past, the instincts of isolation, the brutal indifference and harmful social infidelity which stands up in our day with the old slave arguments at its heart and on its lips, "I object" and "You can't do it."[47]

No people less homogeneous, less one family, knit together and resolute through sufferings, could have taken instant fire, as did the South, at such appeals. Facilities for satisfying the need were not narrowly investigated. The South was shut up to such and such means—they must fit into imperative requirement.[48]

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[46] Nov. 9, 1880. "We must make money—it is a power in this practical business age. Teach the boys and girls to work and teach them to be proud of it. . . . Demand all legislative encouragement for manufacturing that may be consistent with free political economy."

[47] Columbia Register; quoted in News and Courier, Charleston, March 18, 1881. Columbia at this time was entering upon the fervor to develop its canal and build a cotton mill. The editor of the Register had been a slaveholder. This pronouncement is purged of an earlier and unworthy jealousy which had sometimes appeared in such expressions as the following from another paper: "The South should depend upon its own virtue, its own brain, its own energy, attend to its own business, make money, build up its waste places, and thus force from the North that recognition of our worth and dignity of character to which that people will always be blind unless they can see it through the medium of material, industrial and intellectual strength. We may proclaim political theories, but it is the more potent . . . argument of the mighty dollar that secures an audience there, and the sooner we realize it the better for us" (News and Observer, Raleigh, Nov. 27, 1880).

[48] Also, as has been seen, a philosophy which had right quietly, sometimes half-consciously, been taking shape in the Southern mind, was just now becoming fully articulate. For example, some months before the election, it had been said: "While the politicians are making a great deal of noise over the states rights question, the people of the South are quietly making substantial industrial progress. . . . The cotton mills in operation have proved very profitable. New mills are projected. . . . The signs of the great industrial change now going on in the South are plainly visible everywhere.

But the South did more than receive a new economic aim. Garfield elected, it began to show further the faith that had been welcomed, and moved to renounce political separatism: "The Southern people must be National themselves, in their aspirations and conduct, if they would have the Government truly national in spirit," and Garfield president not of a section or party. "To have a government of 'the whole country,' to be entitled to it, we must think of the whole country as our own, and demand no more than we are ready to give. It must come to this."[49]

Garfield's assassination showed how ready the South was to join hands with the North. "It could not have been foreseen . . . that the outburst of sympathy and condemnation would have been universal in its manifestation, affectionate in tone and National in spirit. South Carolina does more

. . . The people of the South are beginning to learn that the true road to power is not through the white house, supported by a swarm of federal officials. They are learning that solid wealth is power, and that wealth is attainable only by working up their cotton and wool into fabrics and their ores into metals" (Memphis Avalanche, quoted in Daily Constitution, Atlanta, March 30, 1880). "Distinction must be made between the political talk in the papers and what the people really wanted. There was a strong but silent undercurrent for economic welfare, while the politician was still singing the old song" (E. C. Brooks, int., Durham, N. C., Sept. 18, 1916). Approval of the thought that Hancock's defeat threw the South into a reversed frame of mind was received in interviews with some men who lived through the events, but from none of the newer generation.

[49] News and Courier, Charleston, March 9, 1881. "In the near future the successful leaders, South and North, will be those whose first thought is for the Republic; men who are National in feeling and purpose; men who understand that the political and social strength and safety of each State depend not on isolation and separation, but on combination and union." Cf. ibid., May 7, 1881. A New Orleans editor said: "The bitterness, prejudice and hostility to the changes wrought by the war which were so marked a few years ago are disappearing. There is now a very noticeable . . . disposition to accept the situation as it is, and on this basis to build a new South which shall surpass in wealth, glory and greatness the old South. . . . before another National campaign opens this element will control the political and material affairs of the South" (Times-Democrat, quoted in ibid., Feb. 4, 1881). Cf. A. K. McClure, The South: Industrial, Financial, Political, p. 53; Dunning, p. 198. Not all leaders were so sensible; Senator Vance, of North Carolina, looking forward to Garfield's term, was belying his professions by asserting "The thing that has been is the thing that shall be" (News and Courier, Charleston, Feb. 23, 1881).

than reprobate assassination. The . . . whole people, resent the deed because the victim is the President of the United States. . . . The forces of reunion had gone on with a rapidity which few appreciated. All the elements of cordial friendship and of national good-will were there. It needed only the threat of a common misfortune to give shape and voice to the recreate [sic] but sturdy love of the Republic."[50]

It is clear that the pressing task of the South, from the day of Appomattox, was truly an economic and social and not a political one.[51] By 1880 this was publicly apparent, and no later expression of this view[52] has been plainer than contemporary exhortations that the people shut ears to politicians and open sympathies to constructive action.

"So long as we have sectional enmity in politics in the

[50] News and Courier, Charleston, July 13, 1881. ". . . the President's desperate illness . . . has done more than years of ordinary events in bringing the North and South together. . . . Vainly will the politicians flourish the 'bloody flag.' The people will not rally on the ensanguined colors again" (ibid., July 18, 1881). Cf. ibid., July 14, giving interview with Jefferson Davis, and Sept. 20, 1881; William A. Harden, A History of Savannah and South Georgia, p. 485. The cordiality with which the First Connecticut Regiment was received in Charleston the month following Garfield's death was believed an outgrowth of the city's sorrow at the national tragedy. The first column of the News and Courier bore the flags of Connecticut and South Carolina crossed, with the legends, "Yankee Doodle Come to Town," and "A Welcome Invasion." An editorial spoke of the war as a "grand lesson to the South," and declared: "We have learned that we cannot stand alone, that our fight must be made within the Union . . ." (Oct. 24, 1881).

[51] Cf. Sioussat, p. 223.

[52] "The greatest statesman of the South in recent times was Seaman A. Knapp, who believed that the demonstration farm was of more value to society than the noisiest political convention . . .; that a boy's corn club would do more to enrich materially the life of the people than the fattest office won on the hustings. . . . The unselfish servants of the people, working in humble ways to improve the farm, the road, the factory, the home, the school, and the church are the true statesmen of the South" (Samuel C. Mitchell, "The Challenge of the South for a Better Nation," in The South Mobilizing for Social Service, p. 46). Cf. ibid., p. 45. "Back of the patriotism of arms, back of the patriotism of our political and civic life, there lies, like a new and commanding social motive, the patriotism of efficiency. . . . It is not merely the patriotism of industrial power. It is the patriotism of social fitness and of economic value. It is the passion of usefulness" (Murphy, Present South, p. 148). Cf. ibid., p. 316.

South its material prosperity will be checked and an absolute injury will be sustained . . . by exciting distrust of capital and prejudices of immigration. The Southern people, outside of the professional politicians, care very little about Federal politics. They are endeavoring to develop the resources of the South and regain the broken-down fortunes left by the desolation of civil war."[53] Asserting that the South should welcome outside enterprisers, bid for government appropriations and hold to the party that could insure peace in which to follow economic pursuits, a South Carolinian wrote that "The object of our politics should be the development of our resources. . . . In this State we need capital and less party and politics."[54] It was not until

[53] Sumpter, S. C., Southron, quoted in News and Courier, Charleston, May 14, 1881. "So taking the past and the present as indices for the future, it is plain to see that a dissolution of the Solid South will cut at the very roots of all these wrangles between the North and the South in which sectionalism is involved." Cf. Observer, Raleigh, Jan. 29, 1880, in comment on an editorial of Financial Chronicle.

[54] "Brutus" in News and Courier, Charleston, May 25, 1881. For a list of Federal appropriations for North Carolina in the rivers and harbors bill the year previous, see Observer, Raleigh, May 6, 1880. It was said, apropos of the approaching meeting of the Southern Press Association, that the Associated Press in its selection of news did not always contribute sufficiently to the business progress of the South. "The commercial prosperity of the South is of far greater consequence to the Southern press than any mere political object. . . . Any association, therefore, that will aid in . . . dissemination of truthful information about the social, business and industrial life of the Southern States, should be encouraged by those who control the Southern press" (News and Courier, Charleston, March 29, 1881). "It is time to stop impeaching the South's development, for . . . business is driving sentimental politics to the woods" (Springfield Republican, quoted in News and Observer, Raleigh, Dec. 31, 1880). Years earlier Gregg took McDuffie severely to task for his half-hearted entrance into cotton manufacturing: "Had you . . . mixed a little more patriotism with your efforts, you would have taken the pains to ascertain why your Vaucluse establishment did not realize . . . sanguine expectations. . . . You would have put your own shoulders to the wheel. . . ." Instead of political opposition to protection (Gregg did not favor a tariff), McDuffie should have advocated turning it to economic advantage (Domestic Industry, p. 8). "It would indeed be well for us, if we were not so refined in politics—if the talent, which has been, for years past, and is now engaged in embittering our indolent people against their industrious neighbors of the North, had been . . . engaged in . . . the encouragement of the mechanical arts" (ibid., pp. 7–8). Cf. Ingle,

1880 that men like Gregg, pleading that "politicians, instead of teaching us to hate our Northern brethren, endeavor to get up a good feeling for domestic industry,"[55] and who were overborne by such followers of Dew as Calhoun, Simms, Hammond, Rhett, Davis, Yancey, and Cheves,[56] could be justified in the public judgment as expressed by Grady when he said: "Every man within the sound of my voice, under the deeper consecration he offers to the Union, will consecrate himself to the South. Have no ambition but to be first at her feet and last at her service. . . ."[57]

Nearly every stage of this study testifies to the large extent to which such economic publicists as these, by conscious teaching and by example, were responsible for industrial growth. It is a nice matter to strike a balance between the force of their inner promptings and the external influences operating upon them. It has been seen that their identical philosophy, held by earlier Southerners, could not bear fruit before 1880, and certainly from this date forward moral stimulus gathered strength from the constantly more apparent physical advantages for manufacturing. As to whether desire for industry uncovered facilities, or facilities for industry suggested their employment, a careful thinker said: "My answer is for the ideas, the internal stimulus, but subject to the qualification that in a longer time we would have had the mills by force of external influence. So far as the period from 1880 to 1900 was concerned, it

Southern Sidelights, p. 40; Andrews, South since the War, p. 96). The "old dislike of the peddling, money-making Yankee is being replaced by admiration for his thrift, and desire to adopt the means by which he has left his impress upon the nation's life" (Springfield Republican, quoted in News and Courier, Charleston, April 7, 1881). One who now feels this view has been overemphasized said, speaking of the lack of strong men in politics in South Carolina, "they have gone into this great economic movement, and let most other things go to the dogs" (Mrs. M. P. Gridley, int., Greenville, Sept. 9, 1916).

[55] See Domestic Industry, pp. 14–16; 11, 24; Olmsted, Seaboard Slave States, p. 363.

[56] Dodd, in South in Building of Nation, vol. v, p. 568 ff.; Kohn, Cotton Mills of S. C., p. 13.

[57] Dyer, in New South, p. 90.

was as nearly the immediate result of internal agitation as any industrial growth could be." It is probably correct to conclude that "the social and economic influences cooperated with the human purpose."[58]

Enough has been said to make it apparent that at the outset the employment of children in the mills, if not absolutely necessary, was practically so, and never excited the least question. Search has failed to reveal one instance of protest against their working, but, on the other hand, cotton manufacturing was hailed as a boon especially because it gave means of livelihood to women and children. Poverty-stricken, the South was mustering every resource to stagger to its feet. All labor power was empirically seized upon; response was eager. At that critical juncture, later results of the employment of children could not be looked to. The great morality then was to go to work. The use of children was not avarice then, but philanthropy; not exploitation, but generosity and cooperation and social-mindedness.[59]

[58] W. W. Ball, int., Columbia, Jan. 3, 1917. "The building of the Pelzer Mill was the germination of the idea implanted by The News and Courier." A competent student wrote: "The growth of cotton manufacturing . . . is significant of a change in Southern ideals . . . a change from a social system in which work was held to be degrading, to one in which great interest is taken in industrial enterprise" (Copeland, pp. 32–33). Sir Horace Plunkett said unhesitatingly of a development not far different: "The story of the new movement . . . begins in the year 1889, when a few Irishmen . . . set themselves the task of bringing home to the rural population . . . the fact that their prosperity was in their own hands . . . to arouse and apply the latent capacities of the . . . people . . ." (cf. pp. 178–179). An objective judgment is: "Other industrial conditions beside the nearness to the cotton crop produced this growth, chief of which has been the general industrial awakening experienced by the South" (New International Encyclopaedia, article on "Cotton," p. 159). Mr. Brooks leans toward environment when he says: "In . . . natural resources the South has found the basis of . . . new economic policy, a new social order . . ." (p. 214).

[59] Between 1880 and 1890 the number of children was doubled, and between 1890 and 1900 trebled (cf. U. S. Census of Manufactures, 1890, "Cotton Manufacture," by Stanwood, p. 173; ibid., 1900, p. 33). "Manufacturers took whom they could get for operatives in the new mills. The employment of children was not a matter of choice but of necessity. . . ." Cf. Edmonds, p. 20. It must be remembered, too, that whole families were transferred from farms to mill villages, which alone, in the then condition of the South, would have required that the children work. Of course, the use of chil-

Understanding that the South, from inner impulse, environmental suggestion and the union of these two, was determined for manufacturing, the immediate reasons for the building of mills may now be considered. It must be remembered that there is a distinction between industrial advantages believed to be present, and facilities as they were afterwards proved out. In the next pages the effort is to discover the thought back of the erection of factories, rather than the evaluation of supposed advantages as revealed in actual operation.

It is clear, first, that there could be no single proximate cause. A mill president said: "You cannot find any uniformity in the reasons for establishment of mills. There were a thousand reasons. Sometimes it was salaries that were wanted; sometimes commission houses that were after the charges; sometimes it was to build up the community; sometimes the profits of one mill that brought another into being; sometimes the machinery men; sometimes it was just because they were . . . fools."[60]

When Mr. Edmonds declared that "What the South has done . . . has been without any special stimulus," he meant there were few demonstrated aids to manufacturing in the

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dren has long since become unnecessary, and has been as cruelly unjust as at first it was natural. Cf. the writer's "Some Factors in the Future of Cotton Manufacture in the South," in Manufacturers' Record, Baltimore, May 10, 1917, and "The End of Child Labor," in Survey, Aug. 23, 1919. Some of Murphy's eloquent pleas for abolition of child labor, while courageous and fitting when he wrote, did not, perhaps, recognize sufficiently the facts of the inception of the system. Cf. Present South, pp. 114, 142–143, 147; George T. Winston, "Child Labor in North Carolina," in Pamphlet 262 of National Child Labor Committee, p. 1 ff. For a statement true for the eighties but not for 1916, see Hearings before Committee on Labor, House of Representatives, January, 1916, p. 12.

[60] Landon A. Thomas, int., Augusta, Ga., Dec. 29, 1916. Others gave similar medleys: "I think the chief advantages observed were the possession of ample raw material and cheap motive power. . . . Also, cheaper common labor, and . . . the fact that the climate . . . is . . . a good one . . ." (S. S. Broadus, Decatur, Ala., letter, Jan. 27, 1915). "Mills were located about Spartanburg because they had cotton to grow to their doors, water power, tax exemption, encouragement in railroads giving two-thirds rate on machinery and material hauled, and willingness of supply men to take stock" (J. B. Cleveland, int., Spartanburg).

beginning; he neglected to take account of the subjective factor of popular resolve which flourished just because of the surrounding poverty.[61] "To help the city of Charleston and the people was the simple reason for starting the Charleston Manufacturing Company. The projectors thought the time had come for Charleston to do its part; they had been sending a good deal of money to the Piedmont mills and they thought they would build one at home."[62]

It is not hard to discern several specific influences making for the industrial development, and these may be examined separately, bearing in mind that all of them, in varying degree, doubtless bore a part.

Some, especially in North Carolina, have found a cause in manufacturing made necessary during the Civil War. The State, urged by Governor Ellis and Governor Clark, became a workhouse for the production of war supplies and goods no longer obtainable from outside. It is said that a vision of what lay in manufactures was firmly imbedded in the North Carolina mind, and that after Reconstruction the people went back to industry.[63]

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[61] Facts about South, pp. 20, 22. Contrast R. M. R. Dehn, The German Cotton Industry, pp. 13, 16.

[62] George W. Williams, int., Charleston, S. C., Dec. 27, 1916. Cf. a statement respecting development of English economic thought, in Edwin Cannan, Theories of Production and Distribution, ed. of 1894, pp. 147–148.

[63] D. H. Hill, int., Raleigh, N. C., Sept. 16, 1916. Governor Clark, in his message to the Legislature, August 16, 1861, stated the situation: "First, that in our commercial relations we have been dependent on the North for almost every article that we use connected with machinery, farming, merchandise, food and clothing . . . including almost every article we need for our defence. The second and more important fact is now established, that we have the means and material for supplying all these wants within our own borders. Necessity is developing these resources and *driving* us to *the use of them.* The continuance of this war and blockade for two or three years may inflict much personal suffering, but it will surely accomplish our national and *commercial* independence." Many cotton mills were chartered in North Carolina during the war. "War changes the habits of a people. After the Revolutionary War and the second war with England America relied less on England and became self-supporting. The Civil War changed the habits of the Southern people and made them rely on their own skill and energy for every necessity of life. Where there was no skill, attempts were made to

Conveniently mentioned, too, in connection with North Carolina is the thought that certain groups of immigrants had planted their manufacturing tradition. This has been referred to in the previous chapter, and it will be remembered that slavery and agriculture forbade these foreigners making a lasting public impression. By maintaining an occupation in particular families, however, late members of which came to bear in the industrial awakening, they did a service.[64]

Entertaining a synthetic rather than analytic viewpoint, it has been sometimes said, with empirical reasoning, that industry in the South grew out of a natural recovery following the war. While not accounting very well for a change of mind that was certainly present, this argument has point. A survey of South Carolina in 1884 asserted: "The State has now recovered the ground . . . lost by emancipation, by negro suffrage, by political misrule and official corruption. . . . Since the redemption and regeneration of the State, in 1877, the growth of manufactures has been astonishing in its rapidity and volume. Agricultural operations could be carried on with reasonable success, in even the darkest days of strife and misrule, but the undertakings which were dependent on the concentration of capital for their development remained torpid, if not dead, until the

develop it" (Brooks, pp. 199–200). That "a new form of expression of patriotism took the place of military service" after the Revolution,—encouragement of home industry—is clear; it may be held that such economic patriotism was delayed in the South by Reconstruction following the Civil War, and that industrial progress was thus "the result of both moral and economical forces" (cf. U. S. Census of Manufactures, 1880, "Factory System of U. S.," by Carroll D. Wright, p. 6).

[64] Cf. Clark, in South in Building of Nation, vol. v, pp. 313–314. In a few instances, it is true, local communities were given an industrial character that resisted an enervating economic environment. Germans at Wachovia, in North Carolina, within a year after settlement had in operation a flour mill, carpenter, shoe and blacksmith shops, pottery, tannery and cooperage establishments (M. R. Pleasants, unpublished MS., "Manufacturing in N. C.," p. 5). Cf. Tompkins, History of Mecklenburg, vol. i, pp. 24–25; Olmsted, p. 511. Winston-Salem, N. C., owes much to its Moravian settlers.

return of confidence breathed into them new life and vigor."[65]

A similar account was given twenty years afterward:

> The war destroyed the capital and property of the South . . . and left in its wake a grinding poverty. . . . The problem of procuring wherewithal to feed and clothe themselves, the fight for a mere subsistence, employed all the energies . . . of the people. This poverty and the struggle to get rid of the carpet-bag government, left no time for anything else. But there came a time when the people could pull themselves together and take an inventory of what they had accomplished . . . they had a little time to look about them, and to take some thought of the morrow. It required no particular wisdom to see that here where the raw material was produced, where natural resources abounded, and where there was . . . the steadiest and most intelligent class of labor, that in this favored land was the essential home of cotton manufacturing. So it became merely a question of providing capital with which to buy some machinery, the transfer of labor from the farm to the mill, and the South's career as a manufacturing people was fairly begun.[66]

The war and Reconstruction took one generation of activity; by 1880 the South had convalesced. "We took our minds off the war, and began thinking about home affairs." Before 1880 there was a great social pressure that prevented attention to constructive measures.[67]

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[65] News and Courier, South Carolina in 1884. "We shall see how the people of this section, reduced to poverty by . . . war, . . . bestirred themselves cheerfully, amid the ashes and waste of their homes; how they met new and adverse conditions with unquailing courage; how they gave themselves cordially to unaccustomed work; with what patience they bore misfortune, and endured wrongs put upon them through the surviving passions of the war. . . . How . . . at last controlling with their own hands their local affairs, they began, in ragged and torn battalions, that march of restoration and development that has challenged universal admiration. We shall see how . . . things despised in the old days of prosperity, in adversity won unexpected value. How frugality came with misfortune, fortitude with sorrow, and with necessity invention" (Grady, pp. 142–143).

[66] Southern Cotton Spinners' Assn., proceed. 7th Annual Convention, address of T. C. Guthrie, p. 44 ff.

[67] E. C. Brooks, int., Durham, N. C., Sept. 18, 1916. The night of the Hayes-Tilden election the informant's father and uncle sat up all night with their shotguns, expecting trouble with the negroes. A representative of the old South said: "From the close of the war, all through Reconstruction time, we had it pretty hot. Politics took up the time of all of us. The effect of Reconstruction, even after we got rid of it, lasted us six or seven years. When that blew away, everything took on new life. We began to build up all sorts of

Mr. Clark has pointed out that with restoration of confidence in political conditions in the reconstructed States, outside capitalists no longer feared disorders that threatened safety of investments; and when work became a necessity, opportunities for diversifying work were seized upon.[68] The South, of course, shared in the country's revival from the depression that followed the panic of 1873. The recovery symbolized in the return to specie payments in 1879, in its influence on Southern industry, will be spoken of later.[69]

One is quite ready to agree to the suggestion, also, that "there was in the South a quiet element of business and professional men who did not approve the course of the leaders of the section, and who, smothered under, so far as public attention was concerned, kept up activity and stood forth when a liberal industrial and commercial program became the order of the day," and that the revulsion of feeling was not really so quick as study of public expressions might indicate.[70]

The high price of cotton right after the war and a belief that this condition would continue because cotton could be

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enterprises" (James Morehead, int., Greensboro, N. C., Aug. 30, 1916). "After they got straightened out, with their State governments in their own hands, people began to feel there was a future for them" (Summerfield Baldwin, Sr., int., Baltimore, Md., June, 1917). Cf. Tompkins, Cotton and Cotton Oil, p. 64; Copeland, pp. 32–33.

[68] In South in Building of Nation, vol. vi, pp. 265–266. This statement is one of the best-considered by this writer.

[69] Cf. Clark, in ibid., pp. 262–263, 258 ff. "The growth of population, the building of railways, the accumulation of capital, the slow perfection of commercial finance, the spread of popular education, each assisted the imperative trend toward industrial diversification and expansion. In spite of the panic and depression . . . between 1870 and 1880 every important Southern manufacture was completely rehabilitated . . ." (ibid.).

[70] Walter S. McNeill, int., Richmond, Va., Aug. 29, 1916; M. L. Bonham, Anderson, Sept. 10, 1916. Another said there is nothing esoteric in the cotton mill campaign, that the South was looking about for something to lay its hand to and naturally fell upon the omnipresent staple; the cables that moored the South to its past had worn thin, and it needed only some lucky accidents about 1880 to part the last strands and set the ship free on her course (J. L. Hartsell, int., Concord, N. C., Sept. 2, 1916). Cf. Clark, in South in Building of Nation, vol. vi, pp. 254–255.

only scantily raised with free labor, focused attention again upon the staple; the local merchant was given credit at the North, and he in turn gave credit to the farmer, who pledged his land to cotton. This temporary restoration of King Cotton saddled the farmer with debt and delayed agricultural diversification and industrial beginnings.[71]

In coming to the directly personal factor, the part of promoters and projectors in the building of the mills, it is well to bear in mind the caution that "it is . . . not unnatural that most of us should fall into the error of attributing to the influence of prominent individuals or organizations the events and conditions which the superficial observer regards as the creation of the hour, but which are in reality the outcome of a slow and continuous process of evolution."[72]

In certain cases where it would seem plain that mills were due exclusively to one man, it is necessary only to ask where and why he received his impulse, to show that he was really an exponent of a prevailing tendency, just as the community upon which he relied for assistance, in its response to his appeal, answered a little later to the same social stirring.[73]

[71] Cf. Grady, p. 175 ff. For other references, see Tompkins, Cultivation, Picking, Baling and Manufacturing of Cotton, pp. 5–6; History of Mecklenburg, vol. i, pp. 150–151; Thompson, p. 59 ff.

[72] Plunkett, p. 27. The mistake has often been made: "You might write volumes, but you would never be able to get beyond the fact that the cotton mill development in Gastonia, Gaston County, North Carolina, and the whole South, is the result of the fact that a few men had a vision" (Joseph H. Separk, int., Gastonia, N. C., Sept. 14, 1916). Cf. Southern Cotton Spinners' Assn., proceed. 7th Annual Convention, address of Edward Atkinson, p. 89; Cannan, p. 23.

[73] One of the sincerest men talked with said: "The Gaffney people never thought of having a mill before I came back from the Clifton village, where I was putting up buildings, and got them stirred up. You get an idea in another place where you happen to be, and you say to yourself: 'Why won't that work in our little town?' Well, you've got to do a lot of talking after you get home with the idea, but they'll catch on in the end. The people of Union asked some Gaffney men to come there and tell them about the business. The professor at the high school and I went down to Union, and I recollect I made them a right smart good talk down there, and they caught on to it and built the mills they've got now. And that was a *dead* town" (L. Baker, int., Gaffney, S. C., Sept. 13, 1916). An interview with a mill official whom Mr. Baker persuaded to come to Gaffney showed that he had acted so completely under Mr. Baker's enthusiasm that he accepted the factory as a matter of course. In

It has been seen how Murphy pointed out that the New South was the child of the Old South, fathered in large degree by the same leaders who in less happy days had bred only economic deformities. "The old South was the real nucleus of the new nationalism. The old South . . . was the true basis of an enduring peace between the sections. . . ." And everyone must share his regret that "a doubt was put upon its word given at Appomattox. . . . Power was struck from its hands. Its sense of responsibility was wounded and confused."[74]

Nothing stands out more prominently than that the Southern mills were conceived and brought into existence by Southerners. The impulse was furnished almost exclusively from within the South, against much discouragement from selfish interests at the North, and capital was supplied by the South to the limit of its ability.[75]

Coming now to the part of ex-Confederates in the industrial regeneration of their people, it is apparent with what speed they embraced their new duty and how the promise of their participation was welcomed by the wisest heads in

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no instance did one personality stand out as an almost exclusive influence more than in the development of mills at Columbia through Mr. Whaley (Washington Clark, William Banks, W. W. Ball, interviews, Columbia, S. C., Jan. 1, 2, 3, respectively, 1917). "If I had at my disposal the history of Major Thos. L. Emry, who was the founder and father of Roanoke Rapids, I would simply tear a few pages from it and spread them across this space and you would have the whole story of the pioneering of this wonderful industrial . . . center" (Charlotte News, Textile Ed., 1917).

[74] Present South, pp. 10–11. Such men as E. M. Holt, Francis Fries, J. M. Morehead and William Gregg, who years before had seen the wisdom of industrial development along with agriculture and, besides the usual activities of farmer and legislator, were engaged in building railroads and mills, could not have their way with the South. Men of opposite faith, later converted to new courses, did no more than adopt a program which earlier had been spurned. On these unfollowed leaders, see South in Building of Nation, vols. xi and xii; Cyclopedia of Eminent and Representative Men of the Carolinas; Jerome Dowd, Sketches of Prominent Living North Carolinians (1888); Biographical History of North Carolina; Tompkins, Cotton Mill, Commercial Features, pp. 181, 185, 187–188; Clark, in South in Building of Nation, vol. v, p. 323; Copeland, pp. 32–33; Goldsmith, p. 4; Southern Cotton Spinners' Assn., proceed. 7th Annual Convention, p. 168.

[75] Cf. Grady, pp. 182–184, 197–198; Edmonds, p. 32; Charlotte News, Textile Ed., 1917.

the North. It has been observed that just as citizens of Salem, Massachusetts, established a club where descendants of the witches and of those who hanged them toast one another, so "the same people that turn out, by the city-full, to build Lee's monument and to bury Davis, are taxing themselves for the schooling of negro children. . . ." Each of these Southerners, "devoutly remembering the old; understanding as no one else can why he remembers it; but all the time looking for something not only better and larger than he has known, but grander than any one ever dared to hope for this side of heaven," showed a divine versatility that is the very stuff of civilization.[76]

James L. Orr, soon to be governor of his State, was a type man, and he appeared with others of the same persuasion in South Carolina as early as the constitutional convention of 1865. There was nothing sullen about him; what he did, he did whole-heartedly. "He was considered one of the coolest-headed men in the State five years ago this summer; but, for all that, he was one of the leading members in the Secession Convention, and in the Rebel Senate during the whole existence of the Confederate government. Now he is one of the leading reconstructionists. . . . He . . . carries himself with a very democratic air."[77]

Often reprobated at the North, this was as normal as it was fortunate; Southerners would choose those in whom they had rested old confidences because people and spokesmen had made a mental readjustment which, however unbelievable to enemies, was easy and natural.[78] A Northern observer not over-disposed to find good in the beaten South, disagreed with those who wished to antagonize and hinder

[76] A. D. Mayo, "Is There a New South?", in Social Economist, Oct., 1893, pp. 201–202; cf. ibid., p. 207.

[77] Andrews, p. 50. The promptness with which distinguished participants in the Confederate cause came forward after the war was an indication of the consistency of Southern leadership. Lee was as much the general at the head of a college as at the head of an army.

[78] Cf. Dunning, pp. 44–45. Twelve members of the South Carolina constitutional convention of 1865 had been members of the secession convention (Andrews, pp. 38–39). Cf. Thompson, pp. 57–58.

rather than help these inevitable leaders. "For my part," said Sidney Andrews, "I wish every office in the State [South Carolina] could be filled with ex-Confederate soldiers. It is the universal testimony of every officer of our own troops . . . that the late Rebel soldiers are of better disposition toward the government, toward Northerners, toward progression, than any other class of citizens."[79]

The year 1880 was reached before these men could really assert themselves. Their training in politics stood them in good stead when they came to organize public sentiment in a new campaign, that of industrial awakening.[80] Their old mastery, with even increased power, sprang forward to the evident task. The pity is that they had not longer time left them in which to work for the South.[81]

When the student of Southern industry meets one of the few surviving members of this company, he at once feels himself in touch with the spirit that was the South's salvation. Far-seeing, public-minded, generous-natured leaders because lovers and servers, these have proved themselves true patriots.[82]

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[79] South since the War, p. 95; cf. ibid., pp. 393, 371–372; Dunning, pp. 185–186; Tompkins, History of Mecklenburg, vol. i, pp. 151–152. Andrews had more faith in a "conquered Rebel" than in "most of these North Carolina Unionists" (ibid., p. 167).

[80] Cf. Punkett, pp. 72–73.

[81] The Industrial South, of Richmond, in 1882 was asking "when will . . . prosperity come" and declared this especially "the impatient utterance of the surviving veterans of the war . . .—the men who were crushed to the earth by the loss of all their worldly possessions, who have ever since been struggling for a footing in life again, and who are looking longingly for some assurance . . . that their children and their children's children will have large opportunities for improvement of their fortunes through the exercise of energy in utilizing the bounties of nature around them" (quoted in Baltimore Journal of Commerce and Manufacturers' Record, June 17, 1882).

[82] It is worth while setting down impressions of one or two. A ruddy, white-haired old gentleman, cordial, cultivated, and a little shyly if gladly reminiscent, received me in the office of his ship chandlering store in Bay Street, Charleston. He showed by look and phrase and occasionally by direct remark that he had been nicely familiar with all the details of the important mill project in which he had taken a chief part, and that they had been obscured, never obliterated, by the years. Almost with a child's embarrassment he explained he did not know why he had kept a packet of

It was natural, at the opening of the period, that many cotton factors should head mill enterprises. They had some money, business connections and a knowledge of the staple that was important. Frequently they had been buyers for, and stockholders and directors in, some of the first enterprises. Charleston cotton merchants played a leading rôle. Captain F. T. Pelzer is a case in point; he made money in cotton right after the war, was a director in Hammett's Piedmont Factory, became interested in several other ventures and ended by founding the mill bearing his name.[83] Sometimes factors were already executives of mills established before 1880, and went into manufacturing more deeply when industrial development became a fixed policy.[84] A cotton buyer for Hammett's Piedmont mill,

intimate memoranda concerning a devoted but unsuccessful venture, and handed them over to me with charges for their safe return. Another, nearly ninety-eight years old when interviewed, sat in the office of the mill which he built and of which he had long been president. He wore a greenish-black, threadbare overcoat, and clutched a bulging umbrella of the same sort. Clear-brained, almost excessively direct, of dominating personality, one felt he had always been equal to the tasks confronting him. As he looked about at the bookkeepers, he spoke with much emphasis, to soften the too pitifully evident chagrin at being dispossessed. His successor, exulting in what has been called "juvenile capitalism," had little of the affection of the old man for the enterprise. Here was the South of slavery, agriculture and aristocracy, that made the South of free labor, industry and democracy. A writer on the mills has said: "These little personal things will creep into my story and break the continuity of dry developments, but the human element pulsates so frequently through the proposition that I must be excused if I fly off at a tangent at almost any word and mix up the material and the psychological" (Charlotte News, Textile Ed., 1917, concerning Roanoke Mills). Cf. ibid., concerning Edenton Cotton Mill; Southern Cotton Spinners' Assn., proceed. 7th Annual Convention, p. 44 ff.

[83] Frank Pelzer and William Banks, interviews, Charleston, Dec. 28, 1916, and Columbia, Jan. 2, 1917. Col. W. G. Smith was a cotton buyer in Orangeburg County, S. C., before organizing a mill there. Leroy Springs, in his mercantile business at Lancaster, took cotton in exchange for goods. A little later it will be noticed how he became a cotton manufacturer (Banks, ibid.). The same is true of John H. Montgomery (cf. Columbia Record, Textile Ed., Oct., 1916).

[84] Thus "William C. Sibley, the president of this company, has had a long experience in cotton, and is one of the largest cotton buyers of the Southern States. . . . He is at present handling, and has for many years . . . efficiently handled, the corporate affairs of the Langley mills . . ." (Boston Journal of Commerce, July 29, 1882).

after plans to invite him to Anderson had fallen through, started a factory on his own account.

By no means all of the mill builders had direct or even indirect connection with cotton. How thoroughly local most enterprises were and how general in communities was the desire for mills, is seen in the callings from which men came to cotton manufacturing. Lawyers, bankers, farmers, merchants, teachers, preachers, doctors, public officials—any man who stood out among his neighbors, or whose economic position allowed him a little freedom of action, was likely to be requisitioned into service or to venture for himself.[85] Neither did the South rely only upon those socially prominent, or upon intellectuals. There was no authoritative leading exposition of the problems facing the section. Measures were hit upon by intuition, by force of circumstance, because of pressing necessity and first-apparent opportunity. It was a movement of the whole South.[86]

Especially did merchants become mill builders. When large plantations broke down into small farms and tenant holdings, factors at the ports could no longer market the whole cotton crop or supply needed credit, because they did not have knowledge of local conditions. Merchants, many of them mere country storekeepers, found themselves more than ever drawn into the buying and selling of the staple, and lending money on growing crops. Supplying every material want of the farmer and taking his incoming cotton in surety, the merchant was the pivot of the economic system. These merchants, more than anyone else in their communities, had credit relations at the North, the importance of which in their manufacturing enterprises will be observed in the chapter on capital.[87] They had an interest

[85] Cf. Goldsmith, pp. 7–8. "All that was necessary was that the promoter of the mill should have succeeded in the business in which he had been formerly engaged."

[86] Cf. Plunkett, p. 133 ff.

[87] Cf. Hammond, p. 144 ff. The description of usury in sales on "time" applies over much of the South today. I heard of a North Carolina farmer who, in 1920, with cotton prices unprecedentedly high, was asked half of his crop in payment for fertilizer.

in the prosperity of their localities that was none the less effective because not always academic or sentimental.[88]

The man who later had capital to head cotton mills at Clinton, South Carolina, set up the only store in the place immediately following the War. The town was then in a poor way, and not being helped by several barrooms.[89] Leroy Springs operated a general mercantile business in Lancaster, South Carolina. A new railway came through the town, but some thriving young places sprang up along it and drew business from Lancaster, which came to a standstill, was "dead." Realizing that something must be done to keep business going in Lancaster, the merchant, with a small capital, built a cotton mill. It had the desired effect.[90] In a conspicuous instance a mercantile firm outside of the South entered the industry in a similar way. Appealed to by Southern customers to take stock in local mill undertakings, a Baltimore groceries house came to have large manufacturing interests, and ultimately changed over to making and selling cotton goods.

The moving man in the Charleston Manufacturing Company was half merchant as head of the ice company.[91]

Saying that Massachusetts mills created only in quantity values that Rhode Island manufacturers produced through quality of goods, William Gregg years before saw that the Massachusetts method would first be introduced in the South, and said: "Cotton manufacturing will not, probably, be speedily introduced into this State [South Carolina], unless our business men of capital take hold of it. Merchants and retired men of capital may erect factories, . . .

[88] Mr. Clark is hardly justified in asserting that "The conditions were no longer those that attract a few hardy adventurers into a new field of business, but such as draw conservative capital, in large units and in the hands of trained administrators, to assured spheres of enterprise" (cf. in South in Building of Nation, vol. vi, pp. 266–267). Administrators were rarely trained and large investments of capital were rarely for dividends only.

[89] Columbia Record, Textile Ed., 1916. Cf. ibid. respecting John R. Barron's Manchester Cotton Mills.

[90] Columbia Record, Textile Ed., 1916.

[91] Cf. advertisement of Alva Gage & Co., Deutsche Zeitung, Charleston, 1881.

our wealthy planters may engage in this business . . . but it will be long before the Southern States shall have a set of manufacturers similar to those in Rhode Island; they must grow up among us. . . ."[92] When at length Gregg's advice was being followed, and entrepreneurs had to be recruited quickly, it is surprising how few failures appeared. True, they were not manufacturers in Gregg's sense, but they worked under natural advantages which well-nigh insured success.[93]

Mr. Estes' entry into manufacturing was typical. "I was first in the dry goods business, then the grocery business. I was mayor here for six years. I was successful. They got me to get up the mill. Old Judge King took first $50,000 and then $100,000 of stock, with the idea that I was to be president."[94]

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[92] Domestic Industry, p. 27.

[93] Some mistakes there were bound to be, when an industry was being built overnight. "Gen. Irving Walker, a stationery man, was the first president of the Charleston Manufacturing Company. He was a nice man, but he knew nothing about the business. That was at the bottom of nine-tenths of the failures of cotton mills in this State—the presidents were popular, you know, everybody liked them, but they were incompetent, with no technical knowledge." The founder of one mill, mayor of his city, was denominated "a hot air politician." The type of man who could succeed in the eighties usually fails now. Mills at Bessemer City, North Carolina, are illustrative. There is no longer the leeway. Cf. Thompson, p. 272. "Looking back on them," one informant said, "I can see that the first mill men were a set of blundering children, some a little more apt than others." Cf. Ga. Indus. Assn., proceed. 4th Annual Convention, address of J. J. Spalding, pp. 46–47, and the writer's "Some Factors in Future of Cotton Manufacture in South," in Manufacturers' Record, Baltimore, May 10, 1917. Newer manufacturers, though still bearing marks of neglected training, are supplementing "a deep desire to succeed, faith in the soundness of the task and in one's own self, and business and social imagination" with intimate knowledge of detail. Cf. Charlotte News, Textile Ed., 1917, for many instances, especially that of C. B. Armstrong.

[94] Charles Estes, int., Augusta, Ga., Dec. 29, 1916. "When this enterprise was inaugurated there were those who doubted whether the mill would ever be built, but with Mr. Charles Estes, to whom, by universal consent, the work of organizing the company was intrusted, there is no such word as fail . . ." (newspaper clipping in Raworth Scrapbook). "Mr. A. Scheurman, a leading merchant of Griffin, Ga., is now closing out his business with the intention of engaging in cotton manufacturing . . . (Manufacturers' Record, Baltimore, Dec. 14, 1882). Cf. Grady, p. 181; Southern Cotton Spinners' Assn., proceed. 7th Annual Convention, pp. 111–112.

If space permitted, a review of the histories of H. P. Hammett, G. A. Gray, R. C. G. Love, Daniel Rhyne, and others would show interestingly the channels by which chief leaders came to build mills. Hammett and Gray were both linked with the ante-bellum industry. The former grew up on a farm, taught school, married the daughter of William Bates and was taken into his cotton manufacturing company; he entered the Civil War and was given duty in the Confederate tax office. After the war he represented his native county in the State legislature, was mayor of Greenville, made president of a rundown railroad and, knowing men of influence and being acquainted with an excellent water power, built his mill in the seventies.[95] Gray at the age of eight entered the old Stowe Mill, at Pinhook, Gaston County, N. C., as a doffer boy, at ten cents a day. He attended school hardly at all. He became an overseer in this mill and later was in charge of the installation of machinery in various new plants. He was superintendent of several factories, and moved to Gastonia with a small capital and built the first mill in the place. At the time of his death the town had eleven mills, nine of which he had been largely instrumental in projecting.[96]

D. A. Tompkins, less than thirty at the opening of the cotton mill era, was late enough to profit by the pioneering work of others. There was enough industry in the South to make the mill engineer's profession profitable. Tompkins was one of the first men in whose career it was evident that the South was becoming a real seat of the cotton manu-

[95] Cf. Tompkins, Cotton Mill, Commercial Features, pp. 189–190.

[96] Cf. Gastonia Gazette, Feb. 9, 1912, and C. W. Patman in Knit Goods, N. Y., March, 1912. Men drawn into the business as a result, directly or indirectly, of Gray's influence, had been teachers, public officials, bankers and farmers. Cf. Patman, ibid. One of the most successful manufacturers in Gastonia was raised on a farm and ran away from home when a young man and went through the country peddling clocks and quilts. He said that as a boy he believed the treasurer of a cotton mill the biggest man in the country, and that he thought this over while tramping about later with his wares. He finally set up an instalment furniture business in Gastonia, was made sheriff and was elected to the vice-presidency of a cotton mill. He is now president of many factories (C. B. Armstrong, int., Gastonia, N. C., Sept. 14, 1916).

facture, with facilities for machine design and repair and all that general guidance which new companies needed. Tompkins, unlike his predecessors, had technical training. Partly in furtherance of his engineering business, partly from the broadest social motives, he almost raised by hand many cotton mills—inspiring the idea, supervising construction, assisting first steps in production.[97]

"When manufactures have become well established a new mill is sometimes organized by a number of men who perceive that some one man is a promising manufacturer."[98] Though frequently exemplified at present, notably at Gastonia, this was rarely true in the early years. Where an executive was not himself the projector of a mill, the thought that created it was not dependent upon any individual. Thus a nearby manufacturer was persuaded to become president of a factory at Albemarle, North Carolina; but the enterprise had its root in the local pride of an old farmer of the place.[99]

There has been an erroneous notion that many promoters of mills in the South in the eighties were Northern men and firms. In the beginning cotton manufacturers of New England did much to discourage establishment of the industry at the South, and have never sought to realize Southern advantages in a large way. In later days there was never such an incoming of Northerners as that of the Hills, Bates,

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[97] As an exhibit in Southern economic history, his two little offices in Charlotte ought really to be moved intact to a place where they would be kept for the public. Glimpses revealing Tompkins' personality may be found in his own writings: Nursing and Nurses, p. 3; History of Mecklenburg, vol, i, p. vii; Cotton and Cotton Oil, preface; Road Building and Repairs, p. 26; Building and Loan Associations, preface; a notion of the character of his service may be gained from: Water Power on the Catawba River, p. 20 ff.; A Plan to Raise Capital for Manufacturing, p. 18 ff.; the backs of some of his many pamphlets give the plan of organization of his company.

[98] Tompkins, Coton Mill, Commercial Features, p. 30.

[99] J. L. Hartsell, int., Concord. This was true of other mills headed by the same man. A merchant fathered a mill at China Grove quite irrespective of its later foster parent (W. R. Odell, int., Concord, N. C., Sept. 2, 1916). At Salisbury the matter of an executive was an afterthought.

Shelden, Clark and Weaver.[100] The Cotton Mill Campaign, so far from showing any of the antagonism of former years toward Northern men and money,[101] developed the most enthusiastic desire for the cooperation of any outsiders. This led to delighted acclamation of any reported design of Northerners to set up manufacturing in the South, but there were undoubtedly more reports than performances. The Northern observer who said of Charleston directly after the war that the city had not sufficient recuperative power for its own rebuilding, and that New Englanders, if anyone, must make it over, would have been surprised fifteen years later to see Charlestonians supplying impulse to their own city and really to the whole South.[102]

A Southern writer in 1882 said: "Capital and skill are the only things needed to make the South preëminently a manufacturing country and shrewd, energetic men from the East and from Europe are rapidly supplying the deficiency."[103] The Southern Land, Emigration and Improvement Company, a New York organization, had as one of its purposes bringing investment opportunities to the attention of Northern capitalists.[104] The leading railroads traversing the South Atlantic States combined on a similar plan in

[100] Cf. J. B. O. Landrum, History of Spartanburg County, p. 58. Cf. Dehn, German Cotton Industry, pp. 4–5.

[101] Andrews, p. 378.

[102] Ibid., p. 3.

[103] Baltimore Journal of Commerce and Manufacturers' Record, June 3, 1882. "The Barnett Shoals have at last been purchased by Davenport, Johnson & Co., of New York, for $22,000, and it is thought that work will begin here in a short time. Athens is yet destined to be the Lowell of the South" (Athens Banner, quoted in ibid., June 24, 1882). "A party of New York capitalists . . . visited the Peach Stone Shoals in Henry County, Ga., a few days ago, and were so much pleased with the property . . . that they purchased it with the intention of at once erecting a cotton mill, to rank as one of the largest and best equipped in the South" (Manufacturers' Record, Baltimore, March 1, 1883). Cf. Fredericksburg correspondence in Daily Dispatch, Richmond, Feb. 23, 1880; Charlotte News, Textile Ed., 1917, concerning Wayne Mill. The considerable Northern participation in Southern mill development, as in the Chadwick-Hoskins group and the Pacific Mills, came much later. Cf. Charlotte News, ibid.

[104] Baltimore Journal of Commerce and Manufacturers' Record, Aug. 5, 1882.

1880.[105] Not a few of the Northerners that undertook industry in the South did so at directly Southern solicitation. A mill man of Alabama in 1881 was consummating a contract "by which a New England company of capitalists will revive cotton manufacturing in a factory building at Corinth, Miss.," and he expected to induce a Connecticut spinner who wished to come South to remove to Huntsville, Alabama.[106]

The pages of this study bear ample testimony to the power of a different group of promoters from those here mentioned, namely, the editors of Southern newspapers. Being peculiarly a public movement, the cotton mill development sprang in large part from the activity of the press. The "Federalist" did not fight harder for union than Southern papers, big and little, strove for industrial awakening in the eighties. By 1880 most editors knew that they were to follow DeBow and not Bledsoe, working for understanding between the sections and not separatism, for diversity and not narrowness of economic pursuit.[107] County weeklies were stout followers in a campaign in which city dailies were leaders. No paper was more influential than the News and Courier, of Charleston. The philosophy of Gregg's "Essays on Domestic Industry," published in the Charleston Courier in 1845, was made concrete in the News and Courier's exhortation, "Bring the mills to the cotton," which rang throughout the South and was taken up as the rallying cry of every mover for industry.[108]

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[105] Ibid., July 15, 1882.

[106] Huntsville Democrat, quoted in News and Courier, Charleston, July 30, 1881. Similar bidding for location of a business designed to be set up in the South has been seen later in the case of a Philadelphia carpet manufacturer being brought to Gaffney, S. C.

[107] Cf. Dodd, in South in Building of Nation, vol. vi, p. 546.

[108] Mr. Hemphill declares this sentence "resulted in the conversion of South Carolina in less than the life of a generation into the second cotton manufacturing state of the nation. . . ." It is "by its statesmanship and largely through the work of its press" that the South has achieved progress since the war (James C. Hemphill, "The Influence of the Press in Southern Economic Development," in South in Building of Nation, vol. v, pp. 548–549. See this whole paper for interesting material). In 1880, in presenting a survey of

The very genius of the News and Courier was its editor, F. W. Dawson. The power he exerted could never be duplicated under any other circumstances than those of the South in the eighties. His inspiriting force can scarcely be overestimated. Born in England in 1840, he was drawn to the Southern cause and enlisted as a sailor on the Confederate vessel *Nashville* at Southampton the opening year of the Civil War. He entered the army and was promoted to the rank of captain. After the war he worked on Richmond newspapers before becoming one of the proprietors of the Charleston News; his editorship came to full strength when this paper was consolidated with the Courier.[109] He saw the truth of the South's problem and saw it whole; that the people must drop conceits and go to work. Besides his major effort for cotton manufactures, he effectively urged tobacco cultivation in South Carolina and preached against duelling. Doubtless his foreign birth and knowledge of English industrialism was of great assistance to him. Of fine physique, handsome, imperious, brilliant, level-headed, "he had full confidence in himself, with good reason. He was a godsend to South Carolina—the leader in bringing the State back into its own."[110] He met a tragic

the mills of South Carolina, Dawson wrote: "Ten years ago The News and Courier formulated what is now an accepted truth, in declaring that the remedy for commercial distress in the North and the secret of sure fortune in the South was to bring the mills to the cotton. . . . The belief was that the manufacture of cotton in a cotton producing State must necessarily pay well, by reason of the saving in the cost of the raw material, by the saving in commissions, and charges for transportation, by the saving in waste, in the rental of land . . . and in the wages to be paid to operatives . . ." (Leading article, published in Blackman). For an instance of how this idea was acted upon in Texas, see Manufacturers' Record, Baltimore, Nov. 23, 1882. Dawson stressed the slogan "Bring the cotton mills to the cotton fields" and associated ideas, "and kept hammering them, until some fellows caught the point and began to build mills" (W. W. Ball, int., Columbia, Jan. 1, 1917). Interviews with Messrs. James Simons and F. Q. O'Neill of Charleston and Tracy I. Hickman, of Augusta, bore out the same point. Cf. Kohn, Cotton Mills of S. C., p. 20.

[109] Cf. South in Building of Nation, vol. xi, p. 271.

[110] Yates Snowden, int., Columbia, S. C., Jan. 1, 1917. I am indebted to Professor Snowden, of Columbia, and to Messrs. W. H. Parker, W. P. Carrington, F. W. Wagener and William M. Bird, of

death, being murdered in 1889 by a physician whose office Dawson entered, it is said, in order to resent an affront to an Irish servant girl in his home.[111]

Dawson was not an orator, and had none of the flourish of Grady. Also because his attack was more direct and concentrated than that of his Georgia contemporary, he is not so well known now. Of Dawson as of Grady it may be said: "His influence in exciting hope and inspiring confidence in the ability of the South to cope successfully with her difficulties was immeasurable. . . . 'He did not tamely promote enterprise and encourage industry; he vehemently fomented enterprise and provoked industry until they stalked through the land. . . .'"[112]

The old Baltimore Journal of Commerce in February, 1882, began to devote some pages to industrial development in the South, changing its name to the Journal of Commerce and Manufacturers' Record. In November of the same year the Manufacturers' Record became a separate paper, because "it has been demonstrated that there was an actual need for a paper which would adequately represent the

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Charleston, for descriptions of Dawson. His picture shows rather curly dark hair, fine, searching eyes, fullish lips, long, somewhat irregular nose and a strong jaw—the face of a thoroughbred.

[111] If Professor Hart has reason for a late statement that the News and Courier "has for its stock-in-trade, ultra and Bourbon sentiments" and "represents an age that is past," such a comment would not apply to the paper's earlier history (p. 70). As a single illustration of its position in the South's critical years, articles written by a member of its staff and reprinted under the title "The Cotton Mills of South Carolina," in this study referred to as "Blackman," with a striking editorial from Dawson, should be examined. How dynamic was the paper's advocacy of industry comes out in the complaint of a manufacturer opposed to the use of the Clement Attachment (a machine which represented the extreme of the doctrine of "Bring Mills to Cotton" in that it accomplished both ginning and spinning), that "the newspapers are assuming a great deal of responsibility in giving it so much notoriety" (Blackman, p. 12).

[112] Dyer, in The New South, pp. 78–79; cf. ibid., p. 128. Grady gave as the text of the Atlanta Constitution: "If the South can keep at home the $400,000,000 it gets annually for its cotton crop, it will soon be rich beyond comprehension. As long as she sends it out for the supplies that make the crop, she will remain poor" (pp. 219–220). In this thinking, however, the News and Courier preceded the Constitution by ten years.

manufacturing interests and would keep abreast of the rapid improvement in the material affairs of the South."[113]

The Manufacturers' Record caught a spirit which had its birth in the heart of the South; as its own words show, it was to "represent" and "keep abreast of" industrial development in the South rather than originate this in the first instance. In its best years it was a useful popularizer of Southern opportunities.[114]

A fundamental cause of the building of cotton mills in the South, really self-evident, was an awakening to the advantage of adding the profits of manufacture to those of production of raw material.[115] Dawson in 1880 put the matter in simple terms:

> The point on which we lay the most stress is that, to the extent in which cotton . . . produced in South Carolina is manufactured in the State, the whole of the profit upon that cotton, from the first stage to the last, remains in some form within the State for the benefit of its people. Where the cotton is produced here and manu-

[113] Cf. Baltimore Journal of Commerce and Manufacturers' Record, Nov. 18, 23, 1882.

[114] Cf. Hemphill, in South in Building of Nation, vol. vi, p. 539.

[115] This primary consideration had been explained to an earlier unheeding generation. Gregg said that coarse goods mills in Massachusetts presented "a fact that cannot but strike a cotton planter with great force, viz: *that 174 hands in 12 months, convert 4,329 bales of cotton . . . into cloth . . . thus adding over $40 to the value of each bale*" (Domestic Industry, p. 27 ff.). "Have we not the raw material on the spot, thus saving the freight of a double transportation?" (cf. ibid., pp. 21, 24–25). It was shown a little later that Tennessee cotton planters made only 11½ per cent profit, while manufacturers of the same crop made 24 per cent, and it was asked: "Are there any so blind as not to see the advantages of the system?" (DeBow, vol. i, p. 126). A writer in 1866 quoted an advocate of the "cotton-field system" of manufacture of seventeen years before, who declared that "the spindles and looms must be brought to the cotton fields. This is the true location of this powerful assistant to the grower," and that to bring mills to cotton "is but one move, whilst sending the cotton to the mills is a heavy annual, perpetual tax," and proceeded to estimate how this could be cheaply accomplished (Barbee, The Cotton Question, p. 138 ff.). In 1878 total costs of manufacture in Lowell, Mass., and Augusta, Ga., were shown, leading to the conclusion that in freight, commissions, insurance and exchange the Augusta manufacturer saved $6.62 per bale over his New England competitor on goods shipped to New York, and $10.23 on those sent direct to the West. For Montgomery to double the value of its cotton in this way "is our right, and our duty . . ." (Berney, Handbook of Alabama, p. 271).

factured elsewhere South Carolina is in the position of furnishing the elements which make other communities rich; . . . we know that the wealth of New England is due to the profit made upon the manufacture of the raw material which the South supplies, and which the South . . . buys back from New England at a high price in its manufactured state.[116]

A Southerner speaking at the Atlanta Exposition asked "by what rule of political economy should the Southern people send their cotton at an expense always deducted from its price, to distant sections and foreign countries to the spun and woven . . . ," and told his listeners that "Here the cotton grows up to the doorsteps of your mills, and supply and demand clasp hands. . . ."[117]

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[116] Leading article, in Blackman. Besides many collateral benefits, the eighteen mills of the State converted cotton worth $1,631,820 into manufactured goods worth $3,932,150. An editorial headed "The Gold in Cotton," said: "At present Charleston does nothing to increase the value of the cotton which comes here for sale. It leaves us as it finds us. The city lives on the pickings and scrapings. . . . Cotton mills change all this. A bale of raw cotton, worth forty dollars, is spun into yarns or cloth worth eighty dollars. There is the usual profit in buying and selling the cotton, and, in addition to this, Charleston gets forty dollars a bale, which goes into our purses and comes out of the pockets of the persons who consume the goods" (News and Courier, Charleston, Feb. 2, 1881).

[117] Ibid., Oct. 10, 1881. ". . . every Southern man is sure to prove to you that it is a dead waste to ship raw cotton to a mill 1,500 miles away when it could be made into yarns and fabrics much cheaper in factories distant from the cotton field only a short half-day's journey for a mule" (Atlanta correspondence of New York Times, quoted in ibid., Nov. 5, 1881). Cf. Richmond Dispatch, quoted in ibid., March 25, 1881. "We have the raw material—New England takes it and augments its value by her labor . . . we, too, must endeavor to mix skill and labor with our raw material before letting it pass from our hands . . ." (Observer, Raleigh, March 2, 1880). Cf. ibid., June 6, 1880; News and Courier, Charleston, April 25, 1881. "Freights were high then; it was a great argument that we saved by manufacturing the cotton here and shipping the goods to the North for just what it cost to send the cotton there" (Charles Estes, int., Augusta). Hammett told a meeting of the South Carolina Agricultural and Mechanical Society: "The South is fitted for the cotton manufacture, which adds profits and value of labor to value of raw material," showed that the South had an advantage of 10 to 20 per cent over New England in the business, and counted the benefit to Southern communities through establishment of mills (News and Courier, Charleston, Aug. 1, 1881). "There is no reason why the South should lose the entire profit upon manufacturing cotton and be content to gain only the beggarly profit of producing it, while England and the North grow rich upon handling it . . ." (Baltimore Journal of Commerce and Manufacturers' Record, Sept.

No one did more to impress this idea upon the South than Tompkins; he presented it in primer-like plainness and from every angle. It is difficult to realize how far this was from a truism to the South even by the time he wrote and spoke.[118]

The question whether the South should manufacture cotton or be content with cultivation of the raw material was made vivid by the opposition to Southern mills on the part of Edward Atkinson, of Boston. It may almost be said that he conducted a propaganda to show that the South should devote itself to raising, ginning and preparing the staple to be spun and woven elsewhere. A talented organizer of business, a not unkindly egotist, officious without being patronizing, gifted in social imagination, and one of the first New Englanders to concern himself actively in a public way with Southern economic affairs after Reconstruction, Atkinson sought, sometimes with semi-private purpose, to mirror the South to itself. The image he furnished, by its very distortion, assisted Southerners to a clearer view of their task. At that peculiar juncture in the South he was listened to attentively, and negatively and positively exerted a striking influence.[119]

2, 1882). Cf. ibid. for quotation of an expressive illustration of this thought; a labored explanation is given in ibid., June 3, 1882.

[118] An ordinary county producing 10,000 bales would get, at 6 cents a pound, $300,000 for its cotton; if sold as cloth at 18 cents, this cotton would bring $900,000. "Assume that this cloth was shipped to China instead of shipping the raw cotton to England and it becomes evident that the English cotton buyer sends here $300,000 while the Chinaman would send $900,000," and he showed how this $600,000 increment would be distributed; that, also, factories would bring other benefits by increasing the value of raw cotton and of farms, creating a market for perishable produce and affording diversity of employment to members of the community (Cotton Mill, Commercial Features, p. 16 ff.). Cf. Observer. Raleigh, May 19, 1880, in comment upon Winston and Durham. Cf. Tompkins, ibid., pp. 23–24, 177–178; History of Mecklenburg, vol. i, p. 24. Tompkins' ingenious little book, "Cotton Values in Textile Fabrics," is an object lesson on this point.

[119] See Who's Who in America, 1906–1907, p. 54. The range of his writings, from the science of nutrition to the cost of war, indicates his ready versatility. He was frequently disingenuous, understanding more than he expressed, but his blunt force compelled notice.

He enters this story when, at the invitation of leading men of city and State, he delivered an address in the senate chamber of the capitol in Atlanta in October, 1880, especially to explain his proposal for the holding of a cotton exposition.[120] Shortly before he had expressed himself as unable to recommend to the North investments in Southern cotton mills, but entered into no details. This had roused a storm of protest and discussion.[121] The incident showed, with many others, that Atkinson interested himself in the South a little too late to suit his purpose; the people had already formed a desire for cotton mills that was not easily dispelled. In the speech he had to advert to this, and in its printed form more references were included. He was frank to say, however, that if he were wrong, the proposed exhibition could have no more urgent reason than to demonstrate him mistaken.

In judging his statements it must be remembered that as head of factory mutual fire insurance companies, he was constructively representing New England cotton manufacturers. He said at Atlanta: "The true diversity of employment which makes self-sustaining communities consists of occupations that do not appeal to the imagination like the great cotton factory; but the artisans . . . who work in iron or wood, the stove-maker and the like, the furniture-maker and the tinman, the house-wright, the wagon-builder, the blacksmith, and the whitesmith are the most valuable citizens. The hundred arts that require but little capital and support many men are the ones that, next to the farmer, form the bone and sinew of society. When these are established, the textile factory may well follow, but ought not to precede in any large degree."[122] Rather than cotton mills, the South should put up shops to make implements, and the manufacture of clothing would give work to women in their own homes. "On the other hand, the most impor-

[120] Cf. Address at Atlanta, preface, p. 3.

[121] Ibid., p. 27, and preface, p. 4.

[122] Ibid., p. 28. If factories there must be, then shoe factories required only one-third as much capital per operative as cotton mills.

tant branch of the cotton manufacture—that of ginning, packing, and pressing cotton for the use of the factory—must continue to be done in the South, and every million dollars spent in the right manner in this department will . . . do more to build up the cotton States than any million expended in cotton factories. It is in order that these opportunities for immediate profit may be made apparent that the cotton exhibition should be held."[123] The cotton crop, he declared, was depreciated 10 per cent by careless handling in preparation for shipment to the spinner at the North or abroad. The cotton manufacture is a unit, beginning in the field and ending in the cloth room of the factory, and "if the South desires to enter upon the safest, surest, and most profitable branch of cotton manufacturing" it should confine itself to the initial processes.[124]

He said that Southern spindles could not keep pace with Southern demand, and so Northern manufacturers did not fear Southern competition; he did not see that this demand constituted an encouragement to establishment of Southern mills. He tried to scare the South by enlarging on the supremacy of the New England manufacture and contemplated extensions that were imminent.[125]

[123] Ibid., preface, p. 5 ff. Interdependence was the foundation of union between the sections. "The railroad has almost eliminated distance; and each section that serves the other best, serves itself also" (ibid., p. 8).

[124] Ibid., appendix, p. 34 ff.

[125] Ibid., preface, p. 7 ff. He naïvely said it would be greatly to the advantage of New England manufactures "to have a solid body of men in the South interested like themselves in promoting better ginning, baling, and handling cotton as it comes from the field" (ibid.). He made suggestive allusions to possible unsuitableness of Southern climate for cotton spinning (ibid., p. 4 ff.). One would like to attribute to Atkinson nothing less than a national viewpoint in advocating Atlanta as the place for the exposition because it was in the cotton country where the preparation of the staple could best be urged; manufacturing machinery needed no encouragement (ibid., pp. 9–10). He tried to interest the South in the use of ensilage (ibid., p. 28), was working on employment of then wasted by-products of the cotton plant (Bradstreet's, quoted in Baltimore Journal of Commerce and Manufacturers' Record, June 3, 1882), carried attention to the soya bean (Southern Cotton Spinners' Assn., proceed. 7th Annual Convention, p. 102), said there would not be sufficient labor for cotton mills, and that people would prefer out-

When Edward Atkinson and a committee from the New England Cotton Manufacturers' Association visited the Atlanta Exposition the next year, an official statement of their impressions showed that they appreciated most those exhibits having to do with "ginning and preparing" the cotton, and declared the identity of interest between cotton grower and manufacturer were here demonstrated.[126] In an interview with press representatives he led away from manufacturing, and sought to arouse enthusiasm over the roller as opposed to the saw gin.[127] In a set address in the exposition building he reiterated these points, feared the real reason why cotton manufactures would not succeed in the South was that most enterprisers did not know how to work on a close margin, did not "know the difference between a cent and a nickel."[128] He urged rather the building of railroads, the opening of schools and savings banks, development of dairying, and even the importation of Pongee, Tussah or Cheefoo silk worms.[129]

But the purpose of the South had solidified too much to be dissolved by such discouragement or neglect, and, as will presently be seen, an exhibit which was planned by Mr. Atkinson to be primarily agricultural, gave tremendous impetus to the manufacturing of cotton. Commenting on his

door employment anyway (Address at Atlanta, preface, p. 5 ff.), and that even coarse yarn mills involved risks the South could not take (ibid., pp. 27–28). He asserted that the approaching exposition "should be rather with a view to the development of tools and implements for the cultivation and for conversion of the plant into its primary forms of fibre, seed, oil, oil-cake, paper stock, and wool, than with a view to the manufacture of cotton fabrics" (ibid., p. 22). Cf. Southern Cotton Spinner's Assn., proceed. 7th Annual Convention, p. 85 ff. The seal of the exposition bore a cotton boll but no spindle.

[126] News and Courier, Charleston, Nov. 1, 1881. The advantage of sending cotton north in the raw state was implied in frequent assertions of Atkinson (cf. Address at Second Annual Fair of New England Manufacturers' and Mechanics' Institute, Boston, 1882, pp. 2, 27–28).

[127] News and Courier, Charleston, Nov. 8, 1881. Cf. Tompkins, Storing and Manufacturing of Cotton, p. 14.

[128] News and Courier, Charleston, Dec. 5, 1881. Cf. the writer's "Factors in Future of Cotton Manufacture in South," in Manufacturers' Record, Baltimore, May 10, 1917.

[129] News and Courier, Charleston, Dec. 5, 1881.

exposition speech, an editor said: "Mr. Atkinson is misleading only when invincible prejudice keeps him from seeing clearly, and even Northern newspapers admit that he is wrong in his belief that cotton manufacturing, on a large scale, will not pay in the South."[130] H. P. Hammett had observed a few months earlier: "It is said the South should plant and prepare the cotton for market, and increase its value by improved cleaning and ginning appliances (which in themselves are proper and commendable), and then send it to the North to be manufactured there, to be returned to us in goods. . . . I do not impute any . . . selfish motives to the parties who have thus . . . given their advice, but . . . I am of opinion that good earned dividends by Southern mills are much more convincing arguments to stockholders than fine spun theories. . . ."[131]

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[130] News and Courier, Charleston, Dec. 5, 1881.

[131] Ibid., Aug. 1, 1881. It is said that in connection with the founding of Hammett's Piedmont Factory, Atkinson wrote a notice showing how cotton manufacturing in the South could never pay. This came under the eye of Hammett, who pinned to the clipping his annual balance sheet, showing a profit of 20 per cent, and sent them to Atkinson (W. J. Thackston, int., Greenville). Atkinson never did really give up his campaign. In the section on cotton manufactures of the United States census of manufactures of 1880, written by him, and transmitted not until 1883, he devoted 6 of the 16 pages to the preparation of the staple, inveighed against bad ginning and urged upon the South opportunities for improvement. Twenty years later he was still on the subject of ginning in talking to the Southern Cotton Spinners' convention, but the revival of one of his Atlanta ideas (Address, pp. 18–25), namely, the folding of sheep upon worn-out cotton uplands, met now with the retort: "Let Massachusetts successfully grow our 'fleecy staple' in her New England meadows before she advises us to raise Northern sheep in a Southern cotton patch" (proceed. 7th Annual Convention, remarks of B. W. Hunt). Some Southern manufacturers remember well Atkinson's position. "Edward Atkinson?" rejoined one of these, "He was the man that didn't believe in Southern cotton mills. He was one of the most prominent authorities on cotton in his day. He made himself very obnoxious to our folks by the way he opposed cotton manufacturing in the South. He just took the wrong turn on it" (W. R. Odell, int., Concord). And another, who had heard the Bostonian in Atlanta: "Edward Atkinson tried to have an influence in deterring Southerners from founding cotton mills, but we had our own ideas. When he talked to a reporter here against Southern mills, I replied to him in the paper" (Charles Estes, int., Augusta). The very exposition building, which Atkinson suggested might be taken away in sections to be used for ginneries or oil mills, was used on the

The International Cotton Exposition, held in Atlanta in the closing months of 1881, occupies a significant place in the history of Southern cotton mills. It accomplished two things: first, it drew together the South's apostles of a new industrial order into confirmatory exchange of views and plans, and afforded concrete, tangible encouragement to already forming aspirations; second, it opened the eyes of the North to the field of investment that lay in the South, breaking down intersectional economic and political barriers of prejudice. From commencement of practical organization of the exposition in December, 1880, it was apparent, in prospectus and executive personnel, that it was to be a more comprehensive undertaking than Edward Atkinson had suggested. Having origin in his mind, it expanded and developed in the hands of others. New England cotton manufacturing machinery makers and mill engineers were included with Southern industrialists and publicists in choice of officials. Not only raising and preparing of raw cotton, but production of cotton goods, was to receive emphasis. The secretary said: "Machinery of all the classes demanded in cultivation . . . and . . . in ginning, baling, packing, and compressing raw cotton, belongs to the first division of machinery exhibits. The machinery requisite for manufacture of cotton, with the best form of mills, the most economical applications of power, and all the details of subsequent manufacture, constitute a great department in which there is a world of interest." The exposition would demonstrate generally that the South had a great future before it, and that, with assistance, it would become "prosperous in its own right through a liberal development of its own resources."[132]

spot as a cotton factory. On the gratuitous advice offered to the South "by those interested in preventing manufacturing development," of which Atkinson's must serve here as typical, cf. Thompson, pp. 62–63.

[132] John W. Ryckman, in author's preface of Atkinson's Address at Atlanta, p. 4. Another connected with the exposition gave as part of its purpose: "To exhibit to the Southern people and to visitors from America and Europe the different processes in the manufacture of cotton from the boll to the complete fabric, and by the

That South and North were both ripe for the undertaking is shown by the rapidity with which it was accomplished. The exposition was opened in less than a year after first mention of it, in less than six months after real steps began to be made toward it, and in just 108 days after actual work of erection was begun.[133]

The Atlanta Exposition was not the inception of the industrial idea in the South, but rather its manifestation. It augmented rather than initiated a purpose. Had the South not known its own mind already, Atkinson's attitude might easily have narrowed the exhibits and diminished their usefulness.[134]

The timeliness of the exposition being apparent all along, its influence in stimulating cotton manufacturing and all

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friction of competition ascertain the best methods and find the best machinery. . . . We people of the South should embrace every opportunity which . . . will bring among us intelligent and interested observers of our industrial condition, resources and aptitudes. We have in the midst of us the raw material . . . of a magnificent prosperity. We lack knowledge, population and capital. These may be slowly accumulated in the course of years, or they may be rapidly by well directed efforts to obtain them from beyond our own borders. We advocate the latter plan" (News and Courier, Charleston, March 14, 1881).

[133] News and Courier, Charleston, Dec. 5, 1881. An Atlanta cotton manufacturer headed the executive committee, a Vermont engineer was made chief of machinery, and agents made tours of investigation through the North and Europe. Subscriptions came simultaneously from North and South; General Sherman started Northern subscriptions with $2000 (ibid., March 8, May 3, 1881). On the opening day, Daniel W. Voorhees, of Indiana, spoke against free trade (ibid., Oct. 6, 1881).

[134] A correspondent in a new mill community wrote: "It is to be hoped the Atlanta Exposition will not take all the enthusiasm out of our capitalists and enterprising men, but that it will only tend to a greater and more speedy development of our resources" (ibid., Oct. 21, 1881). "A good work has been done, the benefits of which will be felt in every part of the country. The New South takes a fresh start at the Atlanta Exposition" (ibid., Oct. 7, 1881). The secretary declared the exposition was pushed through hurriedly because "a knowledge of the South's resources was demanded . . ." (Baltimore Journal of Commerce and Manufacturers' Record, June 24, 1882). Cf. ibid., Oct. 7, 1882. "The Atlanta Exposition . . . was the hopeful and conscious expression of the opening of a new era for Southern industry . . ." (see Clark, in South in Building of Nation, vol. vi, pp. 280–281). Visitors to the exposition "were convinced that 'an industrial revolution had actually been effected in the South . . .'" (see Hammond, pp. 328–329). Cf. Copeland, pp. 32–33; Goldsmith, pp. 4–5.

industrial development was quickly evidenced.[135] The new statesmen of the South, industrially and not politically minded, found voice.[136] Hints and hopes became certainties. "When the Atlanta Exposition closed . . . it began to be realized that the South was awakened to a new life. . . . Intelligence was to take the place of ignorance in methods of cultivation; machinery was to take the place of hand labor; manufacturing was to take the place of exporting raw material and bringing back the manufactured article. . . . Capital began to see the rich rewards waiting to be won, and prepared to occupy the vantage ground."[137]

Many of the exhibits were sold during the exposition, and orders taken to the amount of $2,000,000.[138] When

[135] A manufacturer remembers that operatives from his mill who visited the exposition brought back small-pox, four hundred cases resulting. But Atlanta spread other and more salutary infection as well. Another's dominant recollection is that "they had a great deal of eastern machinery there, with men sent along to operate it" (Charles Estes, int., Augusta).

[136] Cf. letter of A. J. Russell in Baltimore Journal of Commerce and Manufacturers' Record, July 15, 1882.

[137] "W. B. C.," in Baltimore Journal of Commerce and Manufacturers' Record, Oct. 7, 1882. David R. Francis ("The Influence of Agricultural and Industrial Fairs and Expositions on the Economic Development of the South since 1865," in South in Building of Nation, vol. vi, p. 568 ff.), does not mention the Atlanta Exposition of 1881, and apparently is unacquainted with its meaning. He attributes to the New Orleans Exposition of 1884–1885 a significance that belongs to the earlier effort. "Not all the books and papers and speeches that man can produce would do the South as much good in half a century as the single event of the Atlanta Exposition did last year. . . . The cotton spindles of the south will increase year by year until the river cities will resound with the music . . . and the old battle-fields are the scenes of a great industrial revival" (Boston Economist, quoted in Baltimore Journal of Commerce and Manufacturers' Record, Sept. 30, 1882). The whole lesson of the exposition was expressed when "the governor of Georgia appeared on the grounds dressed in a comfortable suit of cottonade manufactured on the premises from cotton picked from the bolls the same day in sight of the spectators." Cf. Goldsmith, pp. 4–5, on this episode and the influence of the exposition generally; U. S. Census of Manufactures, 1890, "Cotton Manufactures," by Edward Stanwood, pp. 28–29.

[138] Baltimore Journal of Commerce and Manufacturers' Record, Sept. 23, 1882. In Atlanta itself in the year following the exposition two cotton mills began operations, one in the exposition building itself; plow works were greatly enlarged; a cotton seed cleaner company increased output; bridge builders extended their business; a cotton compress was erected; a company to manufacture a cotton

the Atlanta Exposition closed, some of its exhibits were moved to Charleston and formed the nucleus of an industrial display there.[139] Other fairs were projected more widely than achieved, but the North Carolina industrial exhibit, at Raleigh, in 1884, carried on the Atlanta spirit and made it local to the State in a way that assisted cotton mill growth. Northern machinery manufactures sent equipment that was manned by North Carolina operatives.[140] An exposition unsuccessfully urged for Baltimore, to have been held the same year, borrowed incentive from benefits derived by the city of Atlanta; there was the idea of capturing leadership of an advance which had been born to the South in a more generous impulse.[141] William Gregg in 1845 had instanced for Charleston the appropriate lesson of the way in which leading propertyholders of Newburyport, Massachusetts, when the shipping of the place deserted in favor of Boston and the town was going to ruin, determined to make an effort to resuscitate its prosperity by establishing cotton manufactures with steam power. "It acted like a charm. The three or four establishments put in operation, have all done well and produced a new state of things." So it might be, he showed, not only with Charleston, but with Augusta, Columbia and

planter commenced building; a cotton seed oil mill was erected and other enterprises went forward (ibid., Sept. 30, 1882). "In six months after the exhibition closed, $2,000,000 had been invested in manufacturing enterprises in that city of only 40,000 inhabitants, all of which was directly traceable to the exhibition" (ibid., Oct. 21, 1882). Cf. ibid., June 24, 1882.

[139] Cf. News and Courier, Charleston, Jan. 1, and for month of February, 1882.

[140] W. R. Odell, int., Concord.

[141] "The rapid development of the South in all her material interests has been the wonder of the age, and yet the past is but the harbinger of the future. Baltimore now has the opportunity of placing herself at the head of this grand Southern movement, and thus so closely allying herself with the South as to be ever afterwards the recognized centre of the commercial and manufacturing affairs of that section. Will she do it? The answer must come from our business community and upon it will depend the future of Baltimore" (Baltimore Journal of Commerce and Manufacturers' Record, Sept. 23, 1882). Cf. ibid., June 10, 17, July 1, 22, Oct. 1, 14, Nov. 11, 1882; Feb. 1, 1883.

other points at the South.[142] More than any other man of his time, he understood the public benefits resulting from industry, especially cotton manufactures, and held these to constitute a prime reason for building mills.[143] An advocate of rural cooperative credit associations in the South, believed that prosperous men, though not themselves needing aid, would take hold of the scheme from "philanthropic motives which always animate the minds of a large proportion of the well-to-do citizens of any country, stimulating them to efforts in behalf of the community in which they live."[144] And one who knew the South said of Southerners

[142] Domestic Industry, p. 30. He lamented that Charleston's large surplus of dormant wealth was not directed to internal improvements in South Carolina instead of seeking Wall Street (Speech on Blue Ridge Railroad, pp. 6–7, 29), and urged that limited liability be granted to industrial corporations which might thus lay small investors under tribute for the building up of the State (Propriety of Granting Charters of Incorporation, pp. 4–11).

[143] An earlier manifestation has been alluded to. "About 1833, following the agitation against the tariff, several companies for manufacturing cotton were organized from patriotic and political rather than from purely commercial motives" (see Clark, in South in Building of Nation, vol. v, pp. 321–322).

[144] Hammond, pp. 203–204. "Probably no better field for the exercise of such motives could be found than among the large planters of the South. Long accustomed to leadership in all the political, business and social affairs of the community, imbued with a spirit of helpfulness which their control over the . . . earthly destiny of others taught them to exercise during slavery days, taught finally by their own discouragements during the years of reconstruction how bitter is the curse of poverty, these men would not lack . . . the willingness to help their poorer neighbors along the road to . . . industrial independence." Murphy wrote that the Old South in the New South "chiefly . . . has maintained . . . the old sense of responsibility toward the unprivileged," and that it is this "quick sense of social obligation," this "local conscience," which has given "distinction and beauty to the allegiance between the aristocracy and the common people" (p. 16 ff.). "Coöperation . . . is the very spirit of democracy—concern for the common good, not only feeling that I am my brother's keeper, but more—I am my brother's brother. We have at last awakened to the fact that the whole is greater than the part. Too often heretofore we have thought of a social class, a segment of interests. . . . But a better day is dawning when we are alike embracing in our affections the whole people, the lowly no less than the lofty . . ." (S. C. Mitchell, in South Mobilizing for Social Service, pp. 50–51). Sir Horace Plunkett has recognized that the pioneers of England's industrial preeminence "have been often actuated as much by patriotic motives as by the desire for gain" (pp. 153–154).

that "they are not only demonstrative; they really care for one another in most affectionate ways. Helpfulness is not an act of conscience: it is an impulse."[145]

Understanding the straits of the South at the opening of the cotton mill era, the readiness of Southern men to realize and assume responsibility in public matters, and the spirit of social service which characterized the awakening to a program of "Real Reconstruction," one accepts as natural the fact that cotton manufactories were frequently motivated by the desire to help a community to its feet. Often this wish was joined, and very properly so, with usual commercial promptings, but sometimes it controlled alone.

The organization of the Charleston Manufacturing Company with a purpose to give work to poor people of the city will be spoken of presently; this company gives admirable illustration of conception of a cotton mill with a plan of general civic betterment. It typified the concern of Charleston for the welfare of the whole State, a concern which, when finally manifest, answered to Gregg's utmost solicitude.[146] A notice supplementing an advertisement of the Charleston Manufacturing Company at the time it was soliciting subscriptions concluded: "The advantages, direct and incidental, accruing to every citizen of Charleston from this industry about to be started in our city are so manifest that those who have inaugurated the enterprise have every reason to feel confident of a ready response to the call for capital and of abundant success."[147]

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[145] Page, pp. 111–112. Cf. John Skelton Williams, The Billion Arrives, pp. 16–17; Manufacturers' Record, Baltimore, April 19, 1917, suggestion for non-interest-bearing bonds to meet war expenditure.

[146] Such cities, in "the heroism with which they meet the daily and the extraordinary crises that time brings . . . leaven the nation of which they are a part" Hemphill, quoted in Kohn, Charleston: Condensation of Jubilee Industrial Edition of News and Courier, p. 15). Charleston invested in South Carolina cotton mills that surplus of bank capital which Gregg had seen going to other quarters, and was largely responsible for incitement to an industrial movement that witnessed the purchase of used machinery from mills at Newburyport, Mass., perhaps the very spindles that Gregg had pointed to as building up the New England city.

[147] News and Courier, Charleston, Jan. 27, 1881; cf. ibid., Jan. 28,

In 1868, Messrs. Sprague, Rhode Island manufacturers, undertook to develop the water power at Columbia, but failed; the property passed to the State Canal commission, and some Columbians contributed to the employment of an engineer to push the work. In February, 1880, the development was taken over by a firm of Providence engineers with a liberal State franchise, but this scheme also failed. When capitalists of Columbia bought the rights they set forth that "The work . . . is one of great magnitude and involves expenditure beyond the ability of this community. Nor is the interest merely local, but reaches out to every part of the State. We call, therefore, upon all . . . to take part in this . . . central development. . . ."[148]

The inception of the first mill at Gaffney has been mentioned. This was distinctly a community enterprise, inspired and pushed through principally by one man with the object of the good of the little town. A Tennessee mountaineer, he had come to Gaffney working on the railroad, and stayed. There was little enough in the place to attract anyone, but he held high hopes for its development. His spirituel face with fine eyes, a dreaminess in his easy movements, a vigor that resides nowhere and everywhere in him, indicate how in spite of the most restricted resources, he possesses capacity that built cotton mills out of hand. As a contractor he was working in a mill village near his town. "At Clifton I'd see the hands paid off, the amount of money they spent. I was convinced that stockholders wouldn't go into

1881. One of the chief movers in this mill, when it had failed and manufacturing was to be revived in the old plant by a new company, received from a fellow citizen a note thanking him "in the name of the public generally, for being instrumental . . . in directing Mr. Montgomery's attention to the Mill. It means much for Charleston, and is only another of your constant and inspiring efforts for the public material advancement of our city. A hundred men like yourself would 'save the city.'"

[148] News and Courier, Charleston, March 25, 1881. Cf. ibid., March 18, 1881; Blackman, p. 9. "The capital, *because it was the capital*, was laid in ashes by Sherman's troops. In the person of Columbia, all South Carolina was ravaged. . . . The city which suffered so sorely may reasonably expect the just assistance of the State . . ." (News and Courier, Jan. 25, 1882).

such a large thing unless it paid them to. The first week-end I could get away, I went back to Gaffney and had a talk with some of the leading citizens, and tried to and finally did persuade them that to establish a mill here would build up the town and pay good dividends." He was not discouraged that Gaffney had no water power like Clifton, and resolved to make steam answer. The head of a little bank was elected president of the mill company, $50,000 was subscribed to stock and a charter applied for. The local banker visited a New York bank to ask for cooperation, but returned deeply discouraged. Others lost interest, but the original promoter would not. He sought to interest the president of the mill at Clifton in the Gaffney enterprise, and received confirmation of his beliefs that he could succeed, but no active support. He next attacked the superintendent of the mill at Clifton, sat with him many nights to persuade him to come to Gaffney with money and experience and head the venture, and finally succeeded.[149]

Notices of ceremonies held when a mill commenced operation convey sometimes touchingly the pride of a community in the plant and the public character of the enterprise. Townspeople were like children with a very precious new toy; newspapers described the arrangement of the machinery in the factory with the keenest interest.[150]

The potency of associative effort, so marked in Southern cotton mill building in this period, overcame timidity that might have been prompted by a frank and individual canvass of attending economic facilities. "The mill at Albemarle, North Carolina, had its origin in the desire of the Efirds to have a mill at the town. Whether there existed real advantages or not, the people would make it appear that there were advantages for that particular location. Many mills were located at places where there was the spirit for them, rather than where they would be, economically,

[149] L. Baker, int., Gaffney.

[150] Cf. Chronicle and Constitutionalist, Augusta, Feb. 23, 1882; Chronicle, Augusta, Nov. 11, 1883.

most successful."[151] A Marylander knowing the industry thoroughly said there was little community interest in his State, but that "down South the community interest was very strong. Every little town wanted a mill. If it couldn't get a big one, it would take a small one; if not a sheeting, then a spinning mill."[152]

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[151] J. L. Hartsell, int., Concord. "But with any kind of management in the first years of their rise they made money, because there was no competition to require close figuring." Cf. Plunkett, p. 186.

[152] Summerfield Baldwin, Sr., int., Baltimore. A mill investor of long experience believes that "usually community good played a larger part than monetary gain in the founding of a cotton mill" (Theodore Klutz, int., Salisbury). "One mill would encourage another, but the greatest factor in the growth of cotton mills in the South was community pride" (C. S. Morris, int., Salisbury, N. C., Sept. 1, 1916). The story of the building of a mill in South Carolina, told by a participant, is typical. "The town had a population of about 2500. It was stagnant, on no trunk line of railroad. Perhaps only one man in the place was worth as much as $100,000. There had been talk of building a mill; a retired business man, with no manufacturing experience, had tried and failed. Mr. X., living in Spartanburg, had been in charge of a small iron concern. He was an experienced cotton buyer and, though not wealthy, had great ability. He came to our town and announced to gentlemen there that if the local people would take $75,000 in stock he would get up the rest of the money for a 15,000-spindle mill. This offered a ray of hope. This was throwing out a rope to us. Many men saw a chance of getting a job out of it. But in the town and county generally a tremendous effort was made. The largest subscription was $2000. By raking with a fine-tooth comb they got the pledges for $75,000. The average man at first didn't give a thought to dividends. He was thinking of building up the town. I was running a country newspaper, and took $300 in stock because I thought it would give me increased circulation and job work. Every merchant thought he would get some trade by it. There were some who hadn't even an indirect motive, who just wanted to see the town grow." And again, another said: "Captain S. E. White was about as near the type of the old plantation head as South Carolina has had since the war. He had 4000 acres under cultivation, under his direct supervision. Fort Mill was just a hamlet in 1887. He wanted to see it become a town, so he started a cotton mill in it" (William Banks, int., Columbia, S. C., Jan. 2, 1917). "Colonel R. L. McCaughril, a banker in Newberry, was the leading spirit in the town. He wanted to see the place grow, so he started a mill" (ibid.). The same was true of the Orr Mill at Anderson. Cf. Charlotte News, Textile Ed., 1917, respecting McAden Mills. "Town pride played an important rôle. The cotton mill was looked upon as a dynamo to effect changes in all departments of life in a community" (Sterling Graydon, int., Charlotte, N. C., Sept. 4, 1916). A commission merchant said: "As a rule the starters of mills got all classes of people to take stock. Usually eight or ten of the leading men of

"A good deal of patriotism developed," said a not impressionable mill man, "and every town would vie with others in building mills. Some people took stock and sold it at a discount when it was apparent that the mill would be operated. They were willing to give so much to secure the mill for the town."[153] There is no stronger indication of the different spirit characterizing the building of mills in the eighties as contrasted with earlier periods than the fact that after 1880 many plants were located within the corporate limits of towns and cities. In the earlier enterprises community spirit had not counted, and even the mills of the seventies, such as Piedmont, were taken to the water powers.[154] Eager discussion as to the comparative advantages of water and steam power marked this transition. From being an excuse for the town, the cotton mill came to be erected to invigorate a place that was languishing. It has been said that at least half the South Carolina mills were community enterprises. Later, when the commercial spirit was more pronounced, factories were built just outside the corporation to escape town taxes.[155]

In the case of some investors with whom assistance to the town was an indirect motive, the creation of a payroll,

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the town could be got to serve on the board—doctors, merchants, lawyers, planters. There would be one leading man who would take the thing up and push it through. He would come to see us. Everybody would want the mill" (Summerfield Baldwin, Sr., int., Baltimore). "What did the lawyer, doctor or fertilizer man know about running a mill? Yet it got to the point where, if he were prominent in the town and did not become a cotton mill president, he lost his social position. Of course, he couldn't do that" (W. J. Thackston, int., Greenville). George A. Gray, as a mill expert, organized and built some factories and managed them only until they were running smoothly, having been drawn in by an inexperienced community (G. A. Gray, Jr., and J. Lander Gray, int., Gastonia, N. C., Sept. 14, 1916).

[153] E. A. Smyth, int., Greenville, S. C., Sept. 12, 1916.

[154] In 1880 Camperdown was the only factory in South Carolina within the corporate limits of a city (Blackman, p. 13). But this, like the Enterprise Factory at Augusta, was on a water power (Augusta Trade Review, Oct., 1884).

[155] Cf. News and Courier, Charleston, Jan. 28, 1881. For the pros and cons of county versus town location, cf. Tompkins, Cotton Mill, Commercial Features, pp. 34–35. The building of cotton mills to help towns was entirely sincere; contrast Clark, in South in Building of Nation, vol. vi, pp. 273–274.

putting more money in circulation, was the causal stimulus. An editorial recommended the Charleston Manufacturing Company "as a means of enlarging the common income. . . . The employment given to hundreds of persons . . . will increase the value of house-property at once. They who earn nothing can't spend much. It was calculated last year that every $228 invested in cotton manufactures in South Carolina supported one person. . . . It is evident that the building of half-a-dozen cotton factories would revolutionize Charleston. Two or three million dollars additional poured annually into the pockets of the shopkeepers . . . would make them think that the commercial millennium had come."[156]

To give employment to the necessitous masses of poor whites, for the sake of the people themselves, was an object animating the minds of many mill builders. One does not have to go outside the ranks of cotton manufacturers to find denials of this, but a study of the facts shows how frequent and normal was the philanthropic incentive.[157] It

[156] News and Courier, Charleston, Jan. 28, 1881. Leroy Springs wanted a payroll at Lancaster, so built a mill (William Banks, int., Columbia). "The thing that built most mills was the fact that the business men of the town wanted the increased payroll. There is an annual payroll of $2,000,000 in Greenville today, and it was this result to which the town looked in the establishment of mills" (W. J. Thackston, int., Greenville). A textile editor went so far as to say that "the principal cause of the cotton mills of the South was that the people had to be given something to do; it was desired to create a payroll" (David Clark, int., Charlotte).

[157] The genuineness of altruism as a motive in the Cotton Mill Campaign is supported by observation of Southern character in other particulars and especially as operative in this period. "It is only when a people, united by a common suffering and bearing a common burden, are overheard in their converse with one another, it is only when the South speaks freely to the South, that one may catch that real spirit of *noblesse oblige* which has so largely dominated the development of Southern life" (Murphy, p. 7). Answering the statement that North Carolinians were very conservative, an acquainted speaker recalled how one enthusiastic New England woman induced the State to spend for an asylum for the insane at one time a larger sum than the whole annual resources of the Commonwealth. "Our whole history is full of such incidents. Almost every noteworthy thing that we have done has been done in obedience to an impulse. Conservative? We are the most impulsive people imaginable" (Page, pp. 9–10). The South had recently gone

will be noticed in another chapter how important with Gregg had been the plan to afford work to natives desperately needing support.[158] The South might have learned its duty, too, from the kindly admonitions of a Rhode Islander, Senator James. He was thirty years in advance of the section when he wrote:

> But it is not only the benefit to be derived in a direct manner to the individual manufacturer, that holds out a strong inducement to the South to go largely into the business—nor yet, alone, the prospect of enriching a community as a body. Motives of philanthropy and humanity enter into the calculation, and these should not be disregarded. This is a subject on which, though it demands attention, we would speak with delicacy. It is not to be disguised . . . that a degree and extent of poverty and destitution exist in the southern states, among a certain class of people, almost unknown in the manufacturing districts of the North. . . . The writer has no disposition to reproach the wealthy for the existence of such a state of things. He is well aware that it is the result of circumstances which have to them been unavoidable. But he cannot resist the conviction that, when a fitting opportunity presents itself to the wealthy men of the South to obviate these evils . . . and that even in a way to benefit themselves, they can hardly be held guiltless in case of refusal or neglect to apply the remedy.[159]

Hammett, in his Piedmont mill of the seventies, very regardful of his responsibility toward his unfortunate fellows, anticipated by a few years the action of many factory projectors.[160] Sentiment must be strong to find place in an

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through so much misery that the body politic was closely knit; calculations of commerce were for the time relaxed, and leaders were thinking for the whole people. Cf. Lewis G. Janes, "The Economic Value of Altruism," in Social Economist, July, 1893, p. 16. As to the effect of the Civil War in rousing the South to extraordinary measures, cf. Andrews, pp. 340–341.

[158] To the stockholders of his Graniteville Mill he said: "We may really regard ourselves as the pioneers in developing the character of the poor people of South Carolina," and he called the factory village an asylum for widows and orphans and families brought to ruin (see Kohn, Cotton Mills of S. C., p. 21).

[159] "I . . . appeal to the planter of the South, as well as to every other capitalist. Let your attachment to your interest and the interests of the community, united with love for your species, combine to stimulate you to enter, with resolution, this field of enterprise . . ." (quoted in DeBow, vol. i, p. 241).

[160] Samuel Stradley, int., Greenville, S. C., Sept. 12, 1916. It has been pertinently said of the years following 1880: "There was no thought . . . in those times, with regard to who should work or how many hours they should work. The problem was not one of seeking

advertisement soliciting subscriptions to stock, yet the Charleston Manufacturing Company frankly said: "The necessity of establishing manufactures in our city, not only as a profitable means of utilizing capital, but more especially for furnishing employment to many in our midst, has been long felt. To put this matter into practical operation, a few gentlemen applied to the last Legislature and obtained a most favorable charter. . . ."[161] A committee of the State Agricultural Society of Georgia recommended the Clement Attachment to planters with capital as "furnishing means of support to needy and worthy people, to wit, women and children principally," and as keeping at home money "to give comfort and support to the planting community."[162]

No undertaking was born more emphatically in the impulse to furnish work than the Salisbury Cotton Mills. All the circumstances of the founding of this factory were

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or creating wealth; it was essentially one of employment, of human welfare in the sense of providing instrumentalities by the use of which men, women and children could earn a livelihood. The exigent demand for the bare necessaries of life, which could be gotten in the cotton mills of that period only by the combined toil of the whole family, overshadowed all other considerations. Literally it was a question of 'bread and meat,' and the mills provided work for thousands who could not otherwise subsist" (R. Charlton Wright, in Columbia Record, Textile Ed., 1917). Cf. the writer's "End of Child Labor," in Survey, Aug. 23, 1919. "There was much in the humanitarian movement. People saw that the cotton mill man was a benefactor. Unlike the profit of the bank, his money went to feed the poor people. This contagion spread and had a great deal to do with the building of mills" (G. W. Ragan, int., Gastonia, N. C., Sept. 14, 1916).

[161] News and Courier, Charleston, Jan. 27, 1881. One inquiring among surviving incorporators of this enterprise is told today that "our idea in starting the company was that there were many people here who wanted work, needed it" (W. P. Carrington, int., Charleston, Dec. 27, 1916).

[162] Observer, Raleigh, Aug. 24, 1880. "Aside from purely mercenary considerations," said an appeal to Charlestonians to take stock in mills at Columbia, ". . . is the incalculable benefit to be derived from the employment of thousands of unwilling idlers . . . in the State, the women and girls for whom it is so hard to find healthful and profitable work" (News and Courier, Charleston, April 13, 1881). It must be remembered that whites, particularly women, could not compete with negroes in certain occupations, and in "servile" ones would not.

singularly in keeping with the philanthropic prompting. The town of Salisbury, North Carolina, in 1887 had done nothing to recover from the war. It was full of saloons, wretched, unkempt. It happened that an evangelistic campaign was conducted; Mr. Pearson, remembered as a lean, intense Tennesseean, preached powerfully. A tabernacle was erected for the meeting, which lasted a month and, being undenominational, drew from the whole town and countryside. The evangelist declared that the great morality in Salisbury was to go to work, and that corruption, idleness and misery could not be dispelled until the poor people were given an opportunity to become productive. The establishment of a cotton mill would be the most Christian act his hearers could perform. "He gave Salisbury a moral dredging which made the people feel their responsibilities as they had not before, and made them do something for these folks. There had been little talk of manufacturing before Pearson came; there had been some tobacco factories in the town, but they had failed. The Salisbury Cotton Mills grew out of a moral movement to help the lower classes, largely inspired by this campaign. Without the moral issue, the financial interest would have come out in the long run, but the moral considerations brought the matter to a focus."[163]

[163] O. D. Davis, int., Salisbury, N. C., Sept. 1, 1916. Cf. Page, p. 12 ff.; U. S. Census of Manufactures, 1880, "Factory System," by Carroll D. Wright, pp. 4–5. The spirit of that evangelistic campaign still rests upon those all along connected with the enterprise. Mr. Davis remarked the fact that three ministers of Salisbury were prominently connected with the inception of the mill. One of them, Mr. Murdock, was its secretary and treasurer and later president. The first minute-book shows how closely connected were preacher and manufacturer, even in point of time. An account copied into it from the North Carolina Herald (the local paper) of Nov. 9, 1887, headed "The Cotton Factory," says: "Mr. Pearson, in a lecture yesterday afternoon, dwelt upon the fact that the great many poor . . . people we have here ought to be and must be helped not by gifts and alms but by a chance to make an honest living. That a cotton factory would be the remedy. Pursuant to these urgent appeals a large number of citizens gathered this morning in the Warehouse and organized by calling upon Rev. F. J. Murdock to act as chairman. . . . Mr. Murdock, in strong, eloquent, and earnest words pointed out that it had almost become a necessity to build a

Mr. Murdock seems to have been the chief local inspirator of the mill at Salisbury; before the factory was built he had established a building and loan association. A very similar case is that of Dr. Jacobs at Clinton, South Carolina. He found that the sodden little town needed to have industry preached to it. He inspired a merchant to build a cotton mill, took the lead in urging improvements for the community, and succeeded in founding an orphanage, funds of which were invested in manufactories of Clinton.

On the whole, North Carolina was probably later in responding to the philanthropic impulse than South Carolina. The local Democratic press censured a North Carolina congressman, an Independent, in 1886 for a speech urging mills as means of employment of poor people, because this was opposed to the interest of the farmer.[164] Yet a factory was built in the suburbs of Raleigh the next year partly with this purpose.[165]

As late as 1902 a representative manufacturer declared that although negro labor was feasible, abundant, and would be cheapest, the managements "have recognized the

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cotton mill here to help the poor whites, quoting the Hon. J. S. Henderson's words—that next to religion Salisbury needed a cotton factory. Rev. J. Rumple, D.D., seconded Mr. Murdock's appeal. He said that he knew so well the appealing condition of the poor whites of our town and that a cotton factory would be a sufficient remedy. Mr. I. H. Faust urged three reasons for the building of a mill. 1. Increased general prosperity of the town. 2. Benevolence and charity in giving the poor a chance to earn a living. 3. Cotton mills pay a handsome interest to investors." Others spoke of the profits of all Southern mills, of the health of Salisbury as an asset, and "Maj. S. W. Cole, the veteran advocate of cotton mills, spoke earnestly and fervently in favor of the undertaking." A committee appointed to solicit subscriptions met the same afternoon. Subsequent items show that by Dec. 15 organization was complete, some $60,000 having been locally subscribed, and a successful manufacturer in Concord, nearby, who was consulted in the enterprise, being elected president. One director was a minister; the others were pillars in Salisbury churches. "The mill was religion-pervaded from the outset." It was decided at the start not to have a company store, thrift has been consistently encouraged in the operatives, the mill has never run at night (Theodore Klutz, int., Salisbury). Especially through Mr. Murdock's influence, several boys growing up in the mill have become ministers (Charlotte News, Textile Ed., 1917).

[164] John Nichols, int., Raleigh.

[165] A. A. Thompson, int., Raleigh.

fact that the mill life is the only avenue open today to our poor whites, and we have with earnestness and practically without exception kept that avenue open to the white man alone" to provide an escape from competition with the blacks.[166]

It has been seen that the spirit for manufacture in the South was born pretty much irrespective of the direction which activity was to take. Bearing this in mind, if one were asked what inspirited cotton mills, he would probably answer first, "Presence of the raw material." There is everything to commend this reply. In the beginning Southerners did not reason out all the implications of their thus setting up cotton factories in cotton fields. If success attended the pressing present, this was enough. Moreover, New Englanders, as noticed in the case of Edward Atkinson, more able to calculate upon the future, sought often to discourage a movement which they realized portended danger for their section as the principal American seat of the industry, and in this way the outlook of the South was clouded. Ten years after the opening of the period, however, a writer could put the matter plainly, justifying the South's best hopes and rebuking New England's dissimulation by saying: "The ultimate transfer of the cotton industry from New England to the South may be regarded as an inevitable consequence of industrial development, which should be neither feared nor prevented. . . . There is no more reason why cotton cloth should be manufactured in Lancashire than why cucumbers should be raised in Iceland."[167]

[166] See testimony of Lewis W. Parker, Hearing before Committee of Judiciary, House of Representatives, April 29, 1902, p. 11 ff. This statement would bear some modification today. Perhaps at the outset some saw in the cotton mills not just the means of immediate employment, but the first step toward a better grade of work. Until the present these have been disappointed (W. W. Ball, int., Columbia, Jan. 1, 1917). These well-wishers of the operatives have not been willing to accept continued evidences of philanthropy in welfare work for the more wholesome self-help to be gained when Southern mill hands, like successive generations in New England, assisted by a greater diversity of industry in the section, reach out to more skilled employments.

[167] Social Economist, May, 1891, p. 152 ff. On the purpose of

From the outset, though, convinced of the strength of its position, the South put by hypocritical gratuities: "Sir, it matters not what anyone may say to the contrary, common sense tells us that other things—machinery, skilled labor, motive power, and facilities of shipment—being equal, a cotton factory in the midst of cotton fields must prove more profitable than the same concern a thousand miles from the base of supply could possibly be."[168] "Leave it to the North to make the finer, lighter and fancy goods," Hammett counselled. "Their manufacture will come South in due time if it should be desirable to make them. . . . We need have no fear of competition in making the heavy goods from the North. They will never build another mill there to make them."[169]

English manufacturers to build mills at the South, cf. C. C. Baldwin, quoted in News and Courier, Charleston, July 11, 1881. The South was not entirely without similar penetration much earlier. Of E. M. Holt, manufacturing in North Carolina long before the war, it is said that "To him it seemed a geographical and economical inconsistency and perversity that this staple should be carried thousands of miles from the place of its growth to be made into cloth, much of which was to be brought back . . . to clothe the very people who had produced it; . . . he foresaw that not Manchester, not New England, but the South was to control the cotton industry of the world" (Martin H. Holt, in Biographical Hist. of N. C., vol. vii, pp. 182–183). A New Englander said of the South, also before the war: "As respects all raw materials, especially that of a bulky character, economy dictates that, all other things being equal, they should be wrought on the spot on which they are produced. . . . There may be some exceptions to this rule, but . . . there is none in favor of the transportation of cotton to a distant market" (Charles T. James, in DeBow, vol. ii, p. 236 ff.). Cf. Olmsted, pp. 165, 542–543. Atkinson in 1880, though speaking especially for New England, really put the case for the South when he said that "the supremacy in the art of converting cotton into cloth must ultimately fall to that country or section which possesses . . . proximity to the source of raw material" (U. S. Census of Manufactures, Cotton Manufacture, p. 8). For clear statements in the South in 1880, cf. Blackman, p. 14, and prefactory leading article.

[168] See Gannon, p. 6 ff. Later, Grady declared. "The industries of other sections—distant from the source of supply—may be based on artificial conditions that may in time be broken. But the industrial system of the South is built on a rock—and it cannot be shaken!" (pp. 206–207). Cf. ibid., p. 80 ff.

[169] Quoted in Manufacturers' Record, Baltimore, Feb. 1, 1883. "The water powers are located in the midst of the cotton fields, from which a large part of the cotton consumed may be purchased direct from the producer and delivered at the mills. . . . A very

Nor did some Northern papers at this time fail to recognize the superiority of Southern manufactories in possession of the raw material. "They have the advantage of cotton location, and, when they have secured new and improved machinery, will do an unrivalled business."[170] The pertinence of such recognition was admitted by New England manufacturers in deed if not in word. Their appeal for lower freight rates "on account of the growing opposition of Southern cotton mills . . . was a plea of weakness. . . . The manufacturers of New England would do well to heed the advice of the New York Times . . . and give up the attempt to compete with Southern mills on coarse goods."[171]

Many factories were built right in the cotton fields, just

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material advantage is that it comes direct from the gins, is clean, has not been compressed for shipment . . . and as a consequence works here infinitely . . . easier . . ." (ibid., quoted in News and Courier, Charleston, Aug. 1, 1881). "Among the public enterprises which have been started in Memphis during the past twelve months none have attracted more . . . interest than the 'Pioneer Cotton Mill.' . . . . With the great staple at our doors it does seem strange that it should be sent to the Eastern States or to Europe to be manufactured into goods that will be sent back here for sale at a handsome profit" (Memphis Avalanche, quoted in Manufacturers' Record, Baltimore, Dec. 28, 1882). Cf. ibid., Dec. 14, 1882, March 8, 1883.

[170] Manufacturer and Industrial Gazette, Springfield, Mass., quoted in News and Courier, Charleston, Feb. 3, 1881. "They can save freights, buy cheaper and hire cheaper labor. They save buyer's commission, and warehouse delivery and cartage, sampling, classing, pressing, shipping, marine risks, and freight and carriage to interior towns, which amounts in all to some seven dollars per bale. . . . This makes a tax of eighteen per cent which Fall River pays in competition with Columbus. . . . As yet the South manufactures principally coarser goods . . . but the time is not far distant when it will come to make prints, cambrics, laces, and all the finer qualities of staple goods." Cf. Philadelphia Record, quoted in News and Observer, Raleigh, Dec. 16, 1880. By 1882 it was being said that Northern mills must make fabrics of higher grade or go out of existence. "Much invested capital will have to be sunk, much good machinery cast aside, and much acquired skill regarded as useless; but there can be no wisdom in hesitating to make the sacrifice when the refusal to make it means ruin at any rate" (Textile Record, Philadelphia, quoted in Baltimore Journal of Commerce and Manufacturers' Record, Oct. 28, 1882). Cf. Boston Commercial Bulletin, quoted in ibid., Sept. 23, 1882; April 5, 1883.

[171] Manufacturers' Record, Baltimore, March 29, 1883. Cf a reference to a protest to the Massachusetts legislature against a 58-hour bill in 1890, in Social Economist, May, 1891, p. 159.

as saw mills are placed in the woods. The Woodlawn and Lawrence mills, at Lowell, North Carolina, even conducted their own cotton plantation.[172] Although a water power mill at Cedar Falls, in the same State, had the disadvantage that its product must be hauled twenty-seven miles to High Point, most of the raw cotton was bought loose from the field.[173] A cotton planter built a factory at Enterprise, Mississippi, which took cotton loose from the gin.[174]

Founders of the industry and others expressed the preeminence in the mind of mill builders of proximity to cotton. "There seemed nothing else in the South for manufacturing to turn to but cotton."[175] "Their whole purpose and idea was to build mills right in the heart of the cotton fields."[176] "In establishing cotton mills the chief advantage, in the minds of Southern people, was proximity to the raw cotton."[177]

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[172] Baltimore Journal of Commerce and Manufacturers' Record, June 3, 1882. Several mills owned cotton lands.

[173] W. R. Odell, int., Concord. Tompkins built a plant at Edgefield, S. C., for which cotton was secured unpacked from the field (J. H. M. Beatty, int., Jan. 3, 1917, Columbia). Many mills are to be seen today standing in cotton fields (cf. Columbia Record, Textile Ed., 1916. Cf. ibid., as to Lancaster Mills). The Proximity mill, Greensboro, was named with reference to nearness to raw material (cf. James A. Greer, in Textile Manufacturer, Charlotte, Aug. 19, 1915). The treasurer of the company thinks proximity to cotton was the prime cause of the Southern industry (Bernard Cone, int., Greensboro, N. C., Aug. 30, 1916). Cf. Charlotte News, Textile Ed., 1917, advertisement recommending Monroe, North Carolina, as a location for mills because of excellent and abundant cotton of Union County; cf. advertisement of P. H. Hanes Knitting Co., in Every Week, Nov. 12, 1917, p. 15.

[174] Mississippi Beacon, quoted in News and Courier, Charleston, June 18, 1881.

[175] James W. Cannon, int., Concord, N. C., Jan. 6, 1917.

[176] Tracy I. Hickman, int., Augusta, Ga., Dec. 27, 1916.

[177] Theodore Klutz, int., Salisbury. "The whole development was the result of the desire of the people to use their raw product" (William Banks, int., Columbia). "They had in mind all over the South the fact that the cotton was on the ground" (James Simons, int., Charleston, S. C., Dec. 27, 1916). "There came a different viewpoint. The old South was done away with. The problem was to utilize the thing nearest at hand to support a large portion of our people" (Henry E. Fries, int., Winston-Salem). "Other things were side issues. Proximity to raw cotton was the great advantage, as it appeared to us" (A. B. Murray, int., Charleston, S. C., Dec. 28, 1916). Some helps to development through this proximity were not

The causes of manufacturing development reviewed and others to be touched upon, sometimes exerted a secondary influence through example of factories already in operation, or even of old mills which had gone out of existence. The stimulus lent by the older establishments, those founded before 1870, was largely through individuals or families, was personal, not inspiring new erections at the hands of men not in some way connected with the original ventures; on the other hand, a mill built after 1880 often had a social bearing, attracting to the industry enterprisers and communities with no manufacturing tradition. Of course, there

foreseen by the first mill builders. Actual spinning tests of the staple may be made, instead of relying upon conventional grading (cf. Tompkins, Cotton Mill Processes and Calculations, pp. 4–5). Atkinson did not realize that in this way only mills in the fields could improve preparation of cotton for manufacture. Southern mills, moreover, may rely upon a reserve in the hands of farmers, and not stock up in the picking season as heavily as Northern factories. A few smaller mills even buy cotton as they receive orders for goods (cf. Copeland, pp. 182–183). Nor did the founders guess that supposed benefits of contiguity to cotton would vanish and actually turn out as hindrances. Where mills have concentrated, local cotton does not satisfy the demand. The local price is sometimes driven above that of spot in New York. Cotton brought from the Delta or other distant points bears a relatively or absolutely higher freight charge than staple shipped to New England or Liverpool. Also, the product must be sent north to market and, in most cases, to be finished. Any saving in purchase of raw material locally, amounting hardly ever to more than half a cent a pound, is about counterbalanced by freight on goods. When Southern mills were few and small, presence of cotton was a real asset, and product was often sold locally. Unless all forecasts are futile, the present is a "period of transition" for the Southern mills which will give way to more widespread distribution of plants (overcoming the singular disadvantage of some factories, such as those at Gastonia which can use no local cotton for their manufacture of fine yarns), to finishing of product at the South and the development of a Southern goods market, when old superiorities of location will reappear and prove greater than ever. (These points were substantiated by interviews with John W. Fries, Winston-Salem; George W. Williams, Charleston; Charles Estes and Tracy I. Hickman, Augusta; J. B. Cleveland, Spartanburg; Benjamin Gossett, Anderson; Joseph H. Separk, Gastonia. For fuller discussions see Copeland, pp. 36–37; Uttley, p. 39 ff.; Thompson, p. 271; the writer's Factors in Future of Cotton Manufacture in South, in Manufacturers' Record, Baltimore, May 10, 1917; an excellently detailed illustration of drawbacks in regard to freight charges is contained in the petition of certain up-country South Carolina mills to the State Railroad Commission, Feb. 24, 1903).

were exceptions in both cases. Graniteville, more than other ante-bellum manufactories, possessed public significance; it is difficult to tell how far promoters of mills at Augusta and elsewhere knew Gregg or were trained in his factory, and how far they were inspired simply by the example of Graniteville.[178]

The factory is said to have had a fifty-year record of dividends.[179] It is likely very true that its success had an influence in the Cotton Mill Campaign of the eighties through Dawson of The News and Courier, who frequently referred to it.[180]

Other old factories furnished more exclusively personal incentive. George Makepeace founded little mills on Deep River in North Carolina. Others, such as the Fries family at Salem, learned from him. Ante-bellum manufacturing of the Fries' was the forerunner of their post-bellum activities. The Pattersons at Roanoke Rapids were connected with the Fries family. The grandfather of a mill president of Raleigh had been a stockholder in two small mills at Cedar Falls, and knew Makepeace. The pioneer cotton manufacturer of Durham had clerked in the store at Cedar Falls.[181]

William Bates, who came from Slater's mill at Pawtucket, Rhode Island, was important because he influenced his son-in-law, Hammett, as has been noticed earlier. William Entwistle, an Englishman with textile training in Lancashire, worked in Lawrence, Massachusetts. He came South with the intention of farming, but entered Granite-

[178] Cf. Clark, History of Manufactures, p. 553 ff. The influence of Graniteville has been discussed more fully in the first chapter.

[179] Tracy I. Hickman, int., Augusta.

[180] H. R. Buist, int., Charleston, S. C., Dec. 28, 1916. Local advocates of mills sometimes harked back to successes at Graniteville and Augusta (cf. Society Hill correspondence, News and Courier, Charleston, Feb. 23, 1881). Graniteville had personal ties with many later establishments. The grandfather of LeRoy Springs, pioneer manufacturer of Lancaster, was one of the organizers of Gregg's company (Columbia Record, Textile Ed., 1916). The projector of the Rock Hill Factory was the son of a Graniteville founder (William Banks, int., Columbia).

[181] A. A. Thompson, int., Raleigh.

ville as a section hand in 1869, then was at Langley and removed to the Great Falls mill at Rockingham, North Carolina, to become overseer of weaving. Great Falls was itself built on the site of the much older Richmond Manufacturing Company's factory. Mr. Entwistle has been responsible for much mill building at Rockingham and has given technical advice to other projectors, such as Mr. Cooper at Henderson. The Leak family, owning mills at Rockingham, two generations ago had the Richmond Manufacturing Company.[182]

Coming to mills which were patterns to communities rather than individual enterprisers, it is clear that Hammett's Piedmont Factory, projected in 1873 but delayed in commencing operation until 1876, was "a crucial experiment"; that in a real sense "the success of the mills of the South depended upon Piedmont, the initial business."[183] It may almost be said that Hammett belonged to the development of the eighties; he anticipated the South's duty and opportunity by seven years. His mill was so excellent and complete, he was so able an advocate of manufactures and his public attitude was so constructive that his venture was really "the kindergarten for the industry in the up-country for twenty years."[184]

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[182] William Entwistle and T. C. Leak, int., Rockingham, N. C., Aug. 14, 1920. The Holt mills in Alamance represent distinctly a family development. Gray's apprenticeship served in the old "Pinhook Factory" has been remarked. The industry at Columbus owes much to the fact that before and during the war the place was "a miniature Lowell" (Observer, Raleigh, Sept. 10, 1880). The Lawrence (1878) and enlarged Woodlawn (1880) mills, at Lowell, N. C., grew out of the original plant of the company built in 1851 (Baltimore Journal of Commerce and Manufacturers' Record, June 3, 1882). Clifton was descended from the older Bivingsville and Glendale factories (Blackman, pp. 10–11; William Banks, int., Columbia).

[183] W. J. Thackston, int., Greenville.

[184] "The mills built in this locality about 1880–1885 were simply results of the great success made by the Piedmont Manufacturing Company. The projectors of these mills used no arguments different from those of H. P. Hammett" (James D. Hammett, int., Anderson, S. C., Sept. 11, 1916). Pelzer was an outgrowth of Piedmont, its founder driving over to look at the water power after an annual meeting at Piedmont (W. J. Thackston, int., Greenville). Following Hammett, Charlestonians had built mills in the Piedmont dis-

When mills were erected in numbers, experience in these was shared with intending projectors. "In the Trenton mill we made a big success. It got into the papers, and I had letters from all over the country, even from Texas, inquiring about it."[185] It seems plain that "the success of the Salisbury mill built the Advance mill. A good many who had held back from the first venture went into the second."[186]

Most extensions of plants were of course outgrowths of successful experience.[187]

Depressed condition of agriculture during and preceding the early eighties was in a large way a cause of cotton manufacture. Unremunerative farming led to industry in two main ways: by putting those able to initiate enterprise on the search for new investments, and by throwing out of a livelihood those unable to make new opportunities for themselves. In North Carolina, a poor agricultural State anyway, the process was especially clear. Water powers were more profitable than land.[188] The same was true of the upper part of South Carolina. Before the war there was little fertilizer used, and this district could not grow cotton. "The State was forced to appropriate $5000 one year to enable Spartanburg County to meet expenses. There was simply not enough property in the county of value."[189] This agricultural poverty reflected itself in a

trict. Explaining the causes back of the Charleston Manufacturing Company, one of its incorporators said: "We thought that if a mill could pay in the up-country, it would pay to build a mill in a large center like Charleston" (William M. Bird, int., Charleston, S. C., Dec. 28, 1916). And speaking of this enterprise, a local paper urged: "Let us realize that what is good for Charleston in this respect, is better for us" (Kershaw Gazette, quoted in News and Courier, Charleston, Jan. 31, 1881). Cf. ibid., Feb. 26, 1881, regarding mills at Augusta.

[185] G. W. Ragan, int., Gastonia.

[186] Theodore F. Klutz, int., Salisbury. "The Salisbury mill showed what could be done in the field" (O. D. Davis, int., Salisbury). Cf. Daily Constitution, Atlanta, Jan. 2, 1880, editorial "Atlanta's New Year."

[187] Cf. Charlotte News, Textile Ed., 1917, respecting Erwin Cotton Mill Company.

[188] John Nichols, int., Raleigh.

[189] J. B. Cleveland, int., Spartanburg, Cf. Hammond, p. 80.

supply of surplus labor that had been of long standing.

Low ebb of agriculture was inevitably expressed in low price of cotton, which directly and indirectly encouraged manufacture of the staple. Generally speaking, the number of mills erected has varied inversely with the price of the raw material.[190]

Just before the war a bale of cotton was worth $40 to $50, and the cost of constructing an average spinning and weaving mill was $16 to $20 per spindle. With war, paper money and scarcity of cotton, the value of the bale went to $900, and soon afterwards mills were costing $30 to $40 per spindle. By 1880 cotton and mill construction had returned to the 1860 levels.[191]

With crops constantly larger, it was seen that the South had reached the maximum quantity of cotton that could be produced profitably until world demand increased,[192] and that American manufacturers needd to expand and extend their export trade.[193] "For a few years after the war, when the price of cotton was so high that anyone could live by a small amount of farming, the land was cultivated extensively; but when the cultivation reached its limit, and the price of cotton became lower, the farmers and home capitalists realized that the only way their condition could

[190] "Low cotton meant an increase in the number of failed white farmers. This meant an enlarged labor supply. Low cotton also increased the feeling in the community that the town should be kept going by something else than bankrupt cotton farmers" (W. W. Ball, int.. Columbia, Jan. 3, 1917). Cf. Columbia Record, Textile Ed., 1916, regarding Oakland Mills.

[191] U. S. Census of Manufactures, 1880, "Cotton Manufacture," by Edward Atkinson, p. 8. The average annual price for middling upland cotton at New York, gold value, was 30.76 cents in 1865–1866, and fell, with irregular recoveries, to 11.24 in 1880–1881. Though bales were increasingly heavier, production of bales trebled in these years (cf. table from Bradstreet's, quoted in Baltimore Journal of Commerce and Manufacturers' Record, Nov. 4, 1882). As to alleged serious turning to manufactures in the South consequent upon low prices of cotton from 1839–1844, see Brooks, pp. 148–149; on the increase of spindles in the country in the twenties, similarly caused, see Hammond, p. 246.

[192] Baltimore Journal of Commerce and Manufacturers' Record, Nov. 4, 1882.

[193] News and Courier, Charleston, Sept. 12, 1881. Cf. Observer, Raleigh, June 12, 24; Aug. 3, 14, 1880.

be bettered was by manufacturing the raw product at home."[194]

Not only were cotton manufactures made a likely field of investment by low price of material through increased production, but mills rose with the wave of recuperation of business after the panic of 1873 and its following years of depression. Return to specie payments lent assurance, and the demand for cotton goods was brisk. The year 1880 opened very hopefully.[195] The testimony of the president of Graniteville was matched by that of South Carolina manufacturers generally: "We have . . . been running

[194] See Tompkins, History of Mecklenburg, vol. i, pp. 181–182. Another writer "remembers seeing five bales of cotton bring the owner only $104. Then the cry went up, 'Take the mills to the cotton fields,' and the people from the farms flocked to tend the machinery" (L. P. Hollis, in Columbia Record, Textile Ed., 1916). Cf. Brooks, p. 203 ff. An old ledger of the Sibley mill at Augusta contains memoranda of cotton bought at 4 cents a pound. For the benefits conferred on the cotton farmer, see an illustrative but not quite accurate statement in Tompkins, "Marketing Cotton," in Textile World Record, Boston, Sept., 1908. Cf. Sioussat, p. 228.

[195] For the country it was said that "following the resumption of specie payments, which inspired confidence on all sides, and after the last of the United States called bonds matured . . . and when the out-turn of the harvest was pretty well ascertained, the whole scene changed: gold began to pour into the country, business increased with wonderful rapidity, prices of bonds, stocks and merchandise advanced by jumps, and the whole field of commercial and financial transactions was marked by a great rebound from former depression, which will be remembered . . . as the great 'boom' of the Fall of 1879. In 1877 the country appeared as an insolvent debtor . . .; in October, 1879, it appeared as the same party with every matured obligation paid up in full, and with abundant capital in hand, rousing himself to engage in a new career of industrial prosperity" (Commercial and Financial Chronicle, Jan. 10, 1880). Cf. Baltimore Journal of Commerce and Manufacturers' Record, Sept. 9, 1882. For the South it was stated: "The year that is just finished will be to the present generation a red-letter one; for it brought to an end the long and weary period of enforced economy and restricted business that followed the panic of 1873, and put every branch of industry at work. Agriculture was encouraged in the west and south . . . the factories received more orders than they could fill, the railroads were blocked with freight, the mines were pushed to a greater extent than ever, and all other interests were quickened towards the end of the old year in a way that was full of promise" (Daily Constitution, Atlanta, Jan. 7, 1880). Cf. Observer, Raleigh, Jan. 2, 8, 15, April 24; Daily Dispatch, Richmond, Jan. 1, 1880; for a similar statement for 1882, cf. Manufacturers' Record, Baltimore, Dec. 7, 1882.

since 1873 between two fires, but we seem to have emerged from that trouble now, and we are at present making handsome profits. If this condition of affairs continues for five years . . . we will make a heap of money. Everything has conspired during the last twelve months to help this country."[196]

It is scarcely necessary to say that expectation of profits stimulated the erection of mills. While always considered, the prospect of money gain in dividends was not always most important in the minds of factory builders. Sometimes projectors were able to estimate from proven experience of mills running in the South, but more often profits were argued from believed advantages of the section for textile manufacture. Most advocates shared their hopes openly with community or State; few followed a course of communicating a secret to hand-picked investors. Profits realized in these years will be discussed in a later chapter. Dividends of mills were regularly brought to public attention and calculations were printed to show how any properly managed mill could make money.[197] The demand for goods in 1880 allowed sale ahead at value; prices of product advanced faster in proportion than those of raw material; mills could not fill their orders; some Southern factories ran day and night. All of this tended to draw the attention of the North and of the world to Southern mills, helped up their standards, enlarged their outlook, gave established and prospective plants a springboard for the great impending leap forward.[198] Charleston, the only lending community

[196] See Blackman, pp. 4–5; cf. ibid., p. 10. Some foresaw New England seizing fine goods manufacture from England to protect itself against Southern coarse product, but ultimately surrendering the whole industry more and more to the factories in the fields (ibid., p. 14, and leading article). Hammett was resolutely hopeful when leaner times began to be feared (cf. Daily Constitution, Atlanta, quoted in Manufacturers' Record, Baltimore, Feb. 1, 1883). As to gain of American exports to China at the expense of English mills, cf. Observer, Raleigh, Feb. 14, June 19, July 25, 1880.

[197] Cf. News and Courier, Charleston, Sept. 13, 1881; Observer, Raleigh, Aug. 26, 1880; Daily Constitution, Atlanta, March 18, 1880.

[198] Cf. Baltimore Sun, Jan. 8, 20, 28; Observer, Raleigh, March 6, April 24, 1880; Blackman, p. 15. By the end of 1884 less favorable

in South Carolina, putting money in mills at a distance, showed more investment primarily for profit than did local districts.

In some instances, ten years and more after the cotton manufacturing development commenced, mills were established partly to take advantage of cheap labor. This motive of exploitation was very different from the earlier desire to give the people supporting employment. It has been pointed out that there is a distinction between arguments used in promoting factories and the factors which have contributed to the success of the industry. When commentators on the mills say that their rise has been chiefly due to inexpensive labor, it is usually meant that this has turned out to be their chief asset.[199] In estimating the influence of water powers in mill building it must be remembered that while representative plants were located on streams right at first, there came a time when communities without this facility wanted factories and utilized steam. So far as they go, statements explaining the causal character of water powers are proper. The industry at Augusta and Columbus prior to 1880 was attributable chiefly to falls in the Chattahoochee and Savannah rivers, and plants erected after this date owed much to the presence of this asset.[200]

conditions were at hand, but the Southern industry had received its impetus by this time.

[199] Cf. Copeland, pp. 143–144; Murphy, p. 103; and the writer's "End of Child Labor," in Survey, Aug. 23, 1919. Of course, proposals by Northerners to erect factories in the South considered from the outset the advantage in, not any advantage to, labor. Cf. Manufacturers' Record, Baltimore, Feb. 1, 1883; Baltimore Journal of Commerce and Manufacturers' Record, July 15, 1882.

[200] Cf. ibid., Sept. 9, 1882, as to Columbus; Manufacturers' Record, Baltimore, Jan. 4, 1883, as to Augusta. When it is said that "Without the canal Columbia would have had no mills" (Washington Clark, int., Columbia, Jan. 1, 1917), correction must be inserted that without the desire for mills there would have been no canal; it was constructed in the main after 1880. Communities wishing outside assistance frequently advertised their water powers (cf. News and Courier, Charleston, Aug. 17, 1880, assets of Oconee County). Comparatively late in the development, as in the case of labor, exploitation of water powers came to a leading place. Cf. Charlotte News, Textile Ed., 1917, regarding Roanoke Rapids; Columbia Record, ibid., 1916, regarding Ware Shoals. Speaking broadly, railroads have been responsible for the extension of the industry and the

Like some other causes, purpose of promoters to provide themselves with salaries did not appear in the beginning. Later, the practice is said to have been common, applying particularly to extensions with accompanying salary increases, or to projection of plants in new communities by an established manufacturer who wished money to come principally from local investors. The man who subscribed heavily to make positions for himself and members of his family had little in common with the founders of the Southern industry.[201]

A few mills were started because of desire to use idle land and buildings. Commencement of manufacturing in the building of the Atlanta Exposition is a case in point.[202] Mills were regularly erected to help stagnant towns; it was exceedingly rare that one was proposed to create a town or to benefit land speculation.[203]

Exemption of factories or of new machinery from State or local taxation made more appeal to the investor as such than to promoters and shareholders participating in community enterprises; it was believed to encourage assistance from the North and counted with Southern founders who owned most of the stock in their ventures.[204]

From time to time reference has been made to reported

location of plants rather than for the inception of mills (cf. Columbia Record, Textile Ed., 1916, regarding Glenn-Lowry mill).

[201] A. N. Wood, Gaffney, Sept. 13; Clement F. Haynsworth, Greenville, Sept. 9, 1916; August Kohn, Columbia, S. C., Jan. 5, 1917, interviews.

[202] See News and Courier, Charleston, Jan. 14, 1882. The Arista mill at Winston-Salem put idle land in use (John W. Fries, int., Winston-Salem). Cf. Baltimore Journal of Commerce and Manufacturers' Record, Nov. 11, 1882, as to a project at Gainesville, Ga. When the development was well begun, plants of various sorts were converted for cotton manufacture.

[203] The case of the Region of the Savannah Colonization Assn. is noticed elsewhere. Bessemer City, North Carolina, was an instance (S. N. Boyce and J. Lee Robinson, int., Gastonia, N. C., Sept. 14, 1916).

[204] Cf. quotation from Bradstreet's in Baltimore Journal of Commerce and Manufacturers' Record, Nov. 4, 1882; Observer, Raleigh, Feb. 13, 1880; Clark, in South in Building of Nation, vol. vi, p. 282; Blackman, pp. 6–7; Manufacturers' Record, Baltimore, Dec. 7, 1882; Baltimore Sun, March 4, 1880; News and Observer, Raleigh, Nov. 2, 1880; Kohn, Cotton Mills of S. C., pp. 99, 101.

intent of English enterprisers to exploit Southern cotton manufacturing facilities. An Englishman who, from being an operative in Lancashire, Massachusetts, and South Carolina, has become important in the Southern industry, said that while there has always been much talk of this, nothing ever resulted.[205] As will be seen in another chapter, Northern participation was principally by commission and machinery firms and through investment. Before the cotton mill era properly opened some Northern manufacturers came to the South, and after the movement had demonstrated its success New England companies opened branch plants.[206]

It is said that in Lancashire machinery manufacturers, commission houses and supply men have established mills with speculative purpose.[207] Equipment firms may even teach operatives in English and Japanese mills to run the machinery. Dull times in the American textile machinery manufacture have prompted makers to encourage erection and enlargement of factories by several means.[208] It is doubtful whether their motive in this policy followed in the South has been in any large degree speculative. It was not such in the eighties; their desire was to profit from sale of machinery, not from sale of stock taken in payment for machinery. They furnished a facility rather than supply-

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[205] William Entwistle, int., Rockingham.

[206] George Putnam, a member of a commission firm in Boston, established Camperdown at Greenville in 1873; through its example this mill had some influence, and, with Batesville, taken over by Putnam in 1879, had only Northern capital (Mrs. M. P. Gridley, int., Greenville, S. C., Sept. 9, 1916). Converse came from New England to join the Confederate forces and was assigned to operation of the Glendale Factory; after the war, he continued to manage the mill, and conceived the idea of the influential Clifton enterprise (J. A. Chapman, int., Spartanburg, S. C., Sept. 5, 1916). Makepeace and Entwistle are other cases in point (A. A. Thompson, int., Raleigh). It is proper, also, to consider the services of A. D. Lockwood, mill engineer of Providence, who was employed by enterprises at the opening of the period. Cf. Clark, in South in Building of Nation, vol. vi, pp. 264–265.

[207] Copeland, pp. 317–318.

[208] J. L. Hartsell, int., Concord.

ing an impulse.[209] Tompkins, as mill engineer, as head of a repair and supply firm and as Southern agent of machinery manufacturers, was instrumental in building many factories, but he was motivated by desire for legitimate profit and by public spirit.[210]

Following the war much new machinery was installed in New England. Southern mills with more than a local market, many of them overworked during the war and run down during Reconstruction, had to reequip or build new plants. This circumstance assisted the spirit for cotton manufactures.[211]

These, and others, were reasons why the industry came into being. In the subsequent chapters on Labor and on Capital it will be shown how the South carried out its purpose. The present pages deal with the actual rise of factories and aim to exhibit attending public interest as it expressed itself in the "Cotton Mill Campaign." The movement, it has been seen, had a definite beginning about 1880. The whole South not joining in right at first, it is difficult to say when the "drive" ended. Certainly by 1895, if not earlier, it had been demonstrated that the industry carried its own excuse for being, and nothing more than economic motives were necessary to its encouragement.[212]

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[209] It is charged, however, that an industrial journal represented machinery manufacturers in more than simply an advertising capacity.

[210] He would be invited to speak to citizens of a town contemplating erection of a mill, explaining the broad benefits the factory would bring them and imparting as much technical information as they needed for organization (Sterling Graydon, int., Charlotte). Cf. Tompkins, Cotton Mill, Commercial Features, p. 25 ff.; Plan to Raise Capital, pp. 13–14.

[211] Henry E. Fries, int., Winston-Salem.

[212] Better argument than the first appearance of the term is the clear implication of the News and Courier that, economically, the Cotton Mill Campaign began with 1880. It was said that Hammett ranked as one of the pioneers in the Southern industry because his Piedmont Factory was built before the opening of the Cotton Mill Campaign, and, in seconding his authoritative judgment, the paper took satisfaction in the practical undertaking of a program which it had long urged, and exulted that "seen in the cold light of accomplished facts, the enthusiasm of which some of our friends have

Hammett, in 1883, to allay discouragement that had arisen in some quarters, made an explanation that exhibits the Cotton Mill Campaign: "A state of things has developed which many of us expected to see, and which was inevitable. Too many yarn mills have been built in the last two or three years all over the South from Virginia to Mexico, and as a consequence the market for coarse yarn is overstocked. . . . They were built for the most part by inexperienced men, taken from other pursuits, without any experience or knowledge of the business, badly built, the cheapest machinery put into them, with no scientific system for doing the work intended, many of them without sufficient capital to pay for them when they were completed."[213] It is plain here how suddenly, under what social pressure, the movement was born. "Once the opportunity had been presented to them the chance was eagerly seized, and all who were able to do so contributed to make the new enterprise successful. The press urged it upon those who had capital to invest, hailed joyfully every manufacturing project, and made much of every successful establishment. . . . As is commonly the case with enterprises of this nature, it has been attended with not a little public excitement. . . ."[214]

complained, as carrying us too far, has not taken us a hair's breadth beyond the confines of solid business truth" (Aug. 1, 1881). Cf. ibid., April 25, 1881. Something as to the closing date may be drawn from the fact that in 1886 South Carolina repealed an act exempting cotton mills from taxation (cf. Clark, in South in Building of Nation, vol. vi, p. 282).

[213] "They made poor yarn, which they pledged for the money to operate them, which was of course sold to realize, for such prices as were offered, and when the yarn was thus slaughtered it made a price for them and others to sell by, and it is not strange that they made little money." Most of them made more, however, than Northern mills (quoted from Atlanta Constitution, in Manufacturers' Record, Baltimore, Feb. 1, 1883).

[214] ". . . more mills have been projected than have been built; more have been erected which their projectors would not have erected had they studied the matter carefully before entering upon the experiment. But the failures have been few, and upon the whole the return upon investment in Southern cotton mills has exceeded that upon factories in the North" (see U. S. Census of Manufactures, 1900, "Cotton Manufacture," by Edward Stanwood, pp. 28–29). An instructive table shows that Southern spindles increased from 610,000 in 1880 to 1,756,000 in 1890, reached more than 2,000,000

An impressive interpretation of the English industrial revolution has shown that while it began through invention, invention alone would have taken generations to establish the different regime. The philosophy of Adam Smith and the moral impulses imparted by the Wesleys and Hannah More joined with the work of Watt to speed the process. "It required all the forms—physical, mental, commercial, and philanthropical—working in separate yet convergent lines, to lay the foundation of an entirely new system of manufactures. . . ."[215] In the South all sorts of forces, more directly and consciously applied than in the case of England, headed up in the Cotton Mill Campaign; regret for the past, resolution for the future, expressed themselves here. Economic inertia was overcome with moral incitement,[216] industrial activity was lent momentum by a "passion for rehabilitation" which made erection of cotton mills, as twenty years later of schools, "a form of civic piety."[217] Leaders were mindful of the psychological qual-

by 1892 and more than 4,000,000 by 1900. From 1880 to 1883, 450,000 new spindles were put into operation. Taking 10,000 for the average-sized mill, this means that three years saw 45 factories opened (ibid.). Cf. Baltimore Journal of Commerce and Manufacturers' Record, June 10, 1882, introduction to column headed "Manufacturing." On Aug. 26, eight items out of thirty-six dealing with manufactures were about cotton mills; this was typical. Cf. ibid., Sept. 2, 9, 1882; Manufacturers' Record, Baltimore, Jan. 11, Feb. 8, 1883; News and Courier, Charleston, July 30, 1881; Augusta Trade Review, Oct., 1884; Thompson, p. 73. "The South burst into the development; mills grew up like mushrooms" (Summerfield Baldwin, Jr., int., Baltimore, Md., Jan. 8, 1917).

[215] See U. S. Census of Manufactures, 1880, Factory System of U. S., pp. 4–5.

[216] Cf. Ingle, pp. 72–73.

[217] Cf. Murphy, pp. 17–18. The volitional quality of the campaign appears in contemporary references to it as an "experiment." Cf. Plunkett, p. 170. Industrial advantage. arguing from the past, seemed to be on the side of water power; the wish was sometimes father to the thought in reasonings for steam power to be used at towns not on streams but which wanted mills. Cf. News and Courier, Charleston, March 26, April 25, 29, 1881. In many ways the Cotton Mill Campaign was a romantic movement, resulting in spindles instead of sonnets. There had been intense public interest in the Pacific railway, stretching across a desert to guarantee the Union's integrity (cf. Dunning, pp. 144–145). The South felt a homogeneity in making cotton mills rise from an industrial wilderness.

ity of the movement and were jealous that it should have no backsets. "The State cannot afford a single failure in her cotton mill campaign . . . ,"[218] said one, and another: "A few disasters amongst new mills would be a calamity, the extent and effect of which it would be difficult to estimate or realize, for while one successful mill inspires confidence, the failure of one to succeed would have directly the opposite effect. The people should not allow themselves to be carried into it too rapidly by popular enthusiasm, which now prevails to some extent throughout the South. . . ."[219]

Few episodes are more illustrative of the wholeheartedness and wisdom with which the South entered upon the Cotton Mill Campaign than that of the Clement Attachment. This was a device that combined ginning and spinning in one process; it was small, cheap, and made a limited amount of yarn. Recommended for the use of planters, its employment would represent the first step from agriculture into industry. When Southerners were beginning to think of cotton manufacturing there was eager, widespread inquiry as to this equipment, and it was put into operation in some places. But it was not tarried over long—it was recognized as a makeshift, a partial solution which did not satisfy the purpose for a real industrial development.[220]

The spirit of the movement for factories may best be

[218] "Enquirer," in News and Courier, Charleston, April 29, 1881.

[219] Hammett, in ibid., Aug. 1, 1881.

[220] An enthusiastic forecast missed fire in asserting "we shall have in a half century some scribbling journalist of the future writing the gossips of the invention of the Clement Attachment—which will by that time have worked greater revolutions in the South than the cotton gin has done in the past half century!" (Daily Constitution, Atlanta, Feb. 6, 1880). Cf. ibid., Jan. 2, Feb. 20, 1880. Blackman solicited many opinions about it, and received generally unfavorable replies; cf. especially pp. 17–18, showing to what pains enterprisers from all parts of the South went to examine the machine; cf. News and Courier, Charleston, Feb. 26, May 26, 1881; Observer, Raleigh, Jan. 31, 1880. Nor was the South, when the Cotton Mill Campaign began to gather momentum, greatly regardful of outside comment; answerable to the faith that was in them, papers printed onlookers' discouraging and heartening references with like composure. Cf. letter of Robert P. Parker to New York Sun, quoted in Daily Constitution, Atlanta, Feb. 13, 1880, and quotation of Detroit Free Press in Observer, Raleigh, Aug. 31, 1880.

caught in newspaper items. These appeared constantly and in numbers, in county and city papers, and there was a lively exchange of such information between publications. Any news bearing upon industry, particularly cotton manufacture, was put to service. The following is a characteristic heading: "The Straws that Show! Indications of the Way the Wind is Blowing. The Latest Movements in the Cotton-Mill Campaign." And there follow notices of the receipt of machinery by Clifton mill and praise from Boston of the efficiency and profitableness of factories at Columbus.[221] Correspondence from a little place since become a manufacturing point of consequence gave a typical instance: "In conclusion let me say a few words in regard to the 'Pet' of the town, the Rock Hill Cotton Factory. This factory is owned and controlled by the citizens of the town (except $15,000 in stock owned in Charleston). It has a capital of $100,000, has over 6,000 spindles with 1,500 more to be added in a few days. The best evidence of its success is that not one dollar of its stock can be bought. It is the intention of the company . . . to run the factory day and night . . . to keep up with its orders."[222] It was reported that "strenuous efforts are being made in Greensboro to establish a cotton factory in that city."[223] In an article on railroads occurred this paragraph: "It is rumored that the Columbia and Greenville railroad car shops at Helena will be removed to Columbia. . . . In case the removal is made

[221] News and Courier, Charleston, March 22, 1881.

[222] News and Courier, Charleston, Jan. 12, 1882. News of mills from a distance, too, was frequent; it was noticed that enterprises at Wesson, Miss., were paying handsomely, that a mill building was constructing at Natchez, that companies were organizing at Vicksburg and New Orleans; when a mill at Nashville declared a 14 per cent dividend another was built; mills at Pulaski, Tenn., were anxious to double their capacity; $50,000 was subscribed for a plant at Jackson, Tenn.; Dallas was starting a $200,000 factory and Sherman wanted a $75,000 mill (ibid., Aug. 12, 1881).

[223] Winston Leader, quoted in Observer, Raleigh, June 17, 1880. "The Statesville *Landmark*, with its characteristic level-headedness, calls for the building of manufactures. With this would come commercial strength for our beloved South" (News and Observer, Raleigh, Dec. 12, 1880)

the Newberry *News* suggests that the buildings at Helena might be easily converted into a cotton factory."[224]

It was reported that "the 'Cotton Mill Campaign' is progressing satisfactorily in Yorkville. We heard an old citizen remark some days ago that he had never seen the town so thoroughly aroused and united. . . . Yorkville to all appearances is moving forward with a determined purpose to put into successful operation a cotton mill. . . . The shares have been placed at $500 each, and up to this writing about $25,000 have been subscribed. I would state that this amount has been raised within the limits of the town."[225] It was advertised that "We will give to a Cotton Manufacturing Company that will organize and locate at Landsford, S. C., with a capital of $300,000, a site, 20 acres of land and 300 horse water power."[226] There were many items like the following: "The project for establishing a manufactory for cotton near Walhalla is being mooted. An informal meeting of some of the citizens of that place was held last week with this view and stock to the amount of nearly $10,000 was subscribed by the few present. It is believed strongly that as much as $25,000 will be subscribed in that neighborhood, and if the people of the county will join in the enterprise as much as $50,000 might be made available."[227]

Town pride expressed itself in keen rivalry. "One little place would have a mill, and its neighbors would say: 'Here,

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[224] News and Courier, Charleston, March 22, 1881.

[225] News and Courier, Charleston, March 25, 1881. "The signers to the prospectus of the mill are among the most reliable and responsible men in York County" (ibid., March 31, 1881).

[226] News and Courier, Charleston, Feb. 23, 1881. "One gentleman at Griffin, Ga., offers to subscribe one-fourth the amount necessary to build a cotton factory" (ibid., March 25, 1881).

[227] News and Courier, Charleston, Feb. 26, 1881. Cf. ibid., Jan. 9, 1882, as to Fort Mill. From Marion came this notice: "Our wants: A bank, an academy, a cotton factory, a comfortable room for passengers at the depot, an iron foundry . . ." (ibid., Feb. 22, 1881). "There is not a cotton factory at Raleigh, but there are not less than five large planing mills, two foundries, two boiler factories . . . ," and newspapers and schools are mentioned (ibid., Jan. 26, 1881). Cf. as to Henderson, Baltimore Journal of Commerce and Manufacturers' Record, Oct. 14, 1882.

we can't let that town get ahead of us. We must start a cotton mill.'"[228] "If Belton got a mill, Williamston would want one. The townspeople would go to their leading citizen. It made no difference what a man was, so long as he was the leading citizen he had to become a mill president."[229]

It has been said that the Charleston Manufacturing Company, in all but its ill success, was the type enterprise of the Cotton Mill Campaign. It was peculiarly the child of the slogan, "Bring the Mills to the Cotton."[230] Though never really prospering itself, this factory had much to do with encouraging others, not least because it showed that the city practiced what it preached.[231] In Charleston every detail

[228] Henry E. Litchford, int., Richmond, Va., Aug. 29, 1916.

[229] Benjamin Gossett, int., Anderson, S. C., Sept. 11, 1916. A promoter, by visiting other mills, assured himself of the profitableness of an enterprise in his town: "Will a mill pay in Sumter? Why not? Every mill I visited had to pay $2 per cord for wood—it will cost less here in Sumter. . . . Every one of the mills received their cotton in bales . . . at a loss of $1.90 to $2 per bale on bagging and ties. A factory in Sumter can use at least one-third of cotton without being packed . . ." (quoted from Sumter Southron, in News and Courier, Charleston, March 31, 1881). Many out of the way places came into notice through erection of cotton mills that would never otherwise have been heard of; ventures in every part of the South, small and large, visionary or likely to mature, were not only chronicled, but were watched in their development from week to week. Interesting references, similar to those given already, may be found in News and Courier, Charleston, Jan. 4, 6, 21, 26, Feb. 3, 24, 26, March 23, April 6, May 21, Sept. 1, Oct. 21, 1881; Deutsche Zeitung, Charleston, Feb. 28, 1881; Baltimore Journal of Commerce and Manufacturers' Record, June 3, Aug. 26, Sept. 2, 23, 30, Nov. 18, 1882; Observer, Raleigh, Jan. 2, Feb. 20, 1880; News and Observer, Raleigh, March 18, Sept. 15, 18, Oct. 12, Dec. 24, 1800; Baltimore Sun, Jan. 20, 1880.

[230] Little memorandum books informally kept by officers of the company covering organization, building and operation, show with what inexperience and yet with what genuinely affectionate solicitude this project was undertaken and followed through the seven years of its luckless career. A flyleaf gives: "Facts & Figures relating to the Charleston Mfg. Co. Born March, 1881; died Feby., 1888, leaving a large circle of disconsolate stockholders to mourn their loss. 'Requiescat in Pace,'" and there is the significant addition: "'Bring the Mills to the Cotton.'—News and Courier" (Punctuation is the writer's). Dawson, editor of the paper, was one of the incorporators.

[231] "Charleston is in a fair way to have two large cotton factories in a short while. . . . Camden is preparing for a cotton factory. Hodges . . . is preparing for a cotton factory. Rock Hill has a

of the taking of subscriptions and of erection of the plant was watched with the most absorbed interest.[232]

The speed with which companies were organized and plants erected was significant of impatience to be at the task that invited. The company that erected the Huguenot Mill at Greenville formed February 10, 1881; a charter was obtained March 13; a lot was bought in the heart of the city and the first brick was laid March 23, the last June 2; by July 22 the machinery was in place and the mill was weaving cloth.[233]

At the same time that new enterprises outright were being undertaken, old mills were being greatly enlarged or

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cotton factory. Greenville has several cotton factories. Newberry, the best location for a factory in the State, and the place most needing one, is not preparing for a cotton factory, and there is no present likelihood that she ever will. . . . There are numbers of people ready to aid in the enterprise . . . but there is nobody to take the lead" (Newberry Herald, quoted in News and Courier, Charleston, Feb. 8, 1881). It was not long before a citizen of Newberry did take the lead in erecting a cotton mill. "Why does not Fairfield make the experiment? It is said that fifteen thousand dollars will set in motion over five hundred spindles, and continual additions can be made. . . . The way to begin the new era is to erect a small factory in every county, and then to improve as facilities increase. Imagine Fairfield converting her eighteen or twenty thousand bales of cotton into yarn or cloth each year, and realizing a double price. If we can do no better let us spin a hundred bales at first. . . . Shall the effort be made, or shall other counties, once far behind us in wealth, take the lead and rapidly outstrip us?" (Winnsboro News, quoted in ibid.). The Barnwell Sentinel approved Charleston's course, and the Keowee Courier said Charleston had set the entire state an example (ibid.).

[232] Cf. News and Courier, Charleston, Feb. 1, March 16, 28, April 9, July 6, Sept. 2, 1881; Jan. 14, 1882; Deutsche Zeitung, Charleston, March 21, 1881. At the same time a movement among German citizens of Charleston to establish a cotton mill with $100,000 capitalization got as far as application for a charter, but apparently no farther. Cf. News and Courier, Charleston, Jan. 27, March 30, May 4, 23, 1881, Deutsche Zeitung, Charleston, March 31, April 21, 1881.

[233] Baltimore Journal of Commerce and Manufacturers' Record, Oct. 28, 1882. "Inside of four months from the commencement of the building, the mill was in operation and the capital invested yielding returns to its owners." A mill at Rome, Ga., the cornerstone of which was laid in June, was to be in operation in November (ibid., June 17, 1882). From the organization of Pelzer to completion of the initial plant, including development of the water power for two later factories, required fourteen months (E. A. Smyth, int., Greenville, Sept. 12, 1916). Cf. News and Courier, Charleston, March 25, May 18, Sept. 10, 1881.

equipped with new machinery, plants were changing hands, those that chanced to burn were promptly rebuilt, factory projects that had lapsed were revived and pushed to completion, buildings were converted from other uses to be cotton manufactories, places which had previously had mills reestablished them. Low prices brought by some factories early in 1880 contrasted with the profitableness of the industry a few months later and indicate how suddenly cotton manufacturing burst upon the South; small ventures which had had a chequered career, doing a small business and frequently failing, were taken by progressive managements that made them over and put new life into them.[234]

[234] Cf. Daily Constitution, Atlanta, Jan. 20, Feb. 29, 1880; Baltimore Journal of Commerce and Manufacturers' Record, July 15, Sept. 16, 1882; News and Courier, Charleston, Feb. 18, March 4, Aug. 19, Dec. 14, 1881; Augusta Trade Review, Oct., 1884; Kohn and Berry, Descriptive Sketch of Orangeburg, 1888, p. 12.

CHAPTER III

The Labor Factor

The story of the rise of cotton mills in the South is a human story. Loyalty, love, purpose, charity, hope and faith are so intertwined with the specifically economic motive as to be inseparable from it. This is true of the narrative in all of its aspects. England may be said to have launched upon her Industrial Revolution unawares. With the South the movement was conscious, distinctly marked in its commencement in the minds and hearts of the people. In Britain the human problems came as a consequence of the development; in the South they emerged with it and remained, for a long period at least, coeval with the industrial advance.

In this view, one would naturally expect the business impulse to be less dominant in the labor factor than in other particulars, but it is singularly characteristic of the inception of the Southern cotton mills that other phases of the history, as for example the activities of entrepreneurs and the securing of capital, were as much bound up with the essential aspirations of the section as was the participation of men, women and children as operatives. Even machinery was wrapped with idealism and devotion. As the industry has succeeded, with the passing of years there has been a separation of the economic and humanistic elements so intermixed at its beginning; the opaque solution has been clarified by precipitation. Forces that were unified at the outset have developed contrary directions and have shown unequal power.

The story of the workpeople has become less and less the story of the employers. Just as the erection of plants, once the object of close concern on the part of a whole community, has changed to a technical problem, and just as the monetary operations of the companies, forty years ago part

and parcel of the public life, have narrowed to their purely financial qualities, so divergent interests of capital and labor have emerged. In a region as newly industrial as the South, this has brought questions broadly and acutely social. In this study of the infancy of the manufacture, it is not attempted, except sketchily, to trace the lines of later development.

The part played by labor in the rise of the mills cannot be understood unless it is recognized that the white population of the South is homogeneous and has always been so. There is no distinction in blood between employers and employees. The inauguration of the industry, in point of capital and labor alike, took place within the Southern family. It made for an intimacy which at first rendered impossible and which continues to retard division between factory owners and workers according to economic interest. The settlers of the South were of the same strains and possessed the same characteristics. For an initial period they moved along the same occupational lines. The invention of the cotton gin placed slavery in the ascendant. Cotton cultivation became dominant. The healthy industrial impulse which had shown itself gave way before agriculture. The gin, slavery and cotton formed the wedge that pried a unified population apart. Landowners stood separated from the propertyless; as industry could not compete with agriculture, so those without farming land could not compete with slave labor.

The "poor whites" were dispossessed, not only of progressive occupation, but of participation in the larger life of the section. From the time that cotton began to control until after the period of Reconstruction, these people lapsed into the background.[1]

[1] Cf. Tompkins, in South in Building of Nation, vol. vi, p. 58. "There is no difference in blood or heritage between them [the operatives] and the mill managements. . . ." It is interesting to see how a writer in 1809, regretting the exclusion of propertyless whites through the cultivation of indigo and rice, welcomed the new cotton farming as bringing these people back to economic participation, little knowing how cotton itself would soon work their vaster

When the "poor whites" entered the mills, they reentered the life of the South. As cotton culture had blocked progress, so cotton mills, while not dispelling the certainty of painful readjustments, opened the way to a rational economic future.

The settlers of the South were mainly English, German, Swiss, French Huguenot and Scotch-Irish. They were able pioneers—hardy, industrious, independent, self-sufficient. They desired to have their own religions and to maintain their political and economic freedom. Whether from the Barbadoes, from New England, Pennsylvania, Virginia; whether Moravians setting up their churches and industries; whether Highlanders loyal to the Stuarts and fleeing Scotland by shiploads after the battle of Culloden, they blended to make a stock which has no superior.[2]

The term "poor white" is not easily defined, although every Southerner knows pretty accurately what it means. Writers, some through carelessness and others after better

ruin: "By the introduction of the new staple the poor became of value, for they generally were or at least might be elevated to this middle grade of society. Land suitable for cotton was easily attained. . . . The culture of it might be carried on profitably by individuals or white families without slaves, and afforded employment for children whose labor was of little or no account on rice or indigo plantations. . . . The poor having the means of acquiring property without the degradation of working with slaves, had new and strong incitements to industry. From the acquisition of property the transition was easy to that decent pride of character which secures from low vice, and stimulates to seek distinction by deserving it. . . . In estimating the value of cotton, its capacity to incite industry among the lower classes of people, and to fill the country with an independent industrious yeomanry, is of high importance. It has had a large share in moralizing the poor white people of the country" (Ramsay, History of South Carolina, quoted in Scherer, pp. 170–171). As it turned out, cotton in another phase, in manufacture, as William Gregg observed nearly fifty years later, was the means of "developing the character of the poor people of South Carolina." The mills, however, have dangers of being harmful in their evolution as they were helpful in their inception, if they are allowed to be an economic pressure instead of stimulus.

[2] Material as to the blood-strains in the Southern white population is plentiful. The following references are convenient ones, and in several instances give illustration of the character and early life of the people: Tompkins, ibid., and History of Mecklenburg, vol. i, pp. 4–6, 14–15, 18–19, 97–98; Thompson, pp. 17–18, 20–22; Hart, p. 32. County and State histories are helpful in this connection.

consideration, are mainly at variance on three points. The first is whether there was and continues to be a difference in essential character between the indigent classes in the mountains and foothills and in the low country; second, whether the name "poor whites" is applicable to both of these groups; third, whether there was a middle class in the South, at and before the period of mill building, which was to be distinguished from the lowest stratum of population.

Fortunately for purposes of illustration, observations of writers anywhere from about 1840 forward can be used, because the character of the people from whom factory hands were recruited did not change materially from the time that cotton became king until their ranks had become greatly thinned by influx to the mills.

One who employed broad terms spoke of the "non-slaveholding white men . . . outside the essential councils of the South," who "stood aloof; they were supposed to follow where others led,"[3] and said it was from this "vague multitude of the unlettered and unskilled . . . from the great army of the non-participants that the population of the factory is chiefly drawn."[4]

Mr. Thompson asserts a difference between the indigent whites of the mountains and those nearer the middle portion of North Carolina, saying that in the extreme west the inhabitants in 1860 lived the same primitive lives as their grandfathers, while unpropertied whites in the Piedmont were not socially distinguished from their more fortunate neighbors until a late date. White men would often assist a landowner whose slaves were insufficient, at such times sleeping in his house and eating at his table. "Indeed, it is not too much to say that the Piedmont section of North Carolina was more nearly a social democracy after 1840 than were the manufacturing sections of New England, where by that date there was a well-defined manufacturing aristocracy." The Civil War, however, marked the com-

[3] Murphy, pp. 14–15.

[4] Ibid., pp. 104–105. Cf. ibid., p. 103, and Phillips, in South Mobilizing for Social Service, p. 567.

mencement of the increase of tenant farmers and share-croppers with consequent class cleavage. Those afterwards in very poor circumstances had been closely associated in general estimation with the small traders and professional men.[5]

The common origin of mountain whites and tenant whites and the applicability of the term "poor whites" to both groups is noticed by Mr. Hammond, who calls them all quite properly, in view of circumstances in which they found themselves, "parasitic."[6] Along with his characteristic bias and exaggeration is the usual portion of truth in this observation of a Northern newspaper correspondent who traveled through the South in the autumn following Lee's surrender: "Whether the North Carolina 'dirt eater,' or the South Carolina 'sand-hiller,' or the Georgia 'cracker,' is lowest in the scale of human existence would be difficult to say. The ordinary plantation negro seemed to me, when I first saw him in any numbers, at the very bottom of not only probabilities, but also possibilities, so far as they affect human relations; but these specimens of

[5] Thompson, p. 99 ff. Early title deeds show the settlers in the Piedmont of North Carolina to have been weavers, joiners, coopers, wheelwrights, wagon makers, tailors, teachers, blacksmiths, hatters, merchants, wine makers, surveyors, fullers and "gentlemen" (Tompkins, History of Mecklenburg, vol. i, pp. 24–25). Slavery and cotton had worked their change by 1856, when Olmsted wrote that "the slaveholders have . . . secured the best circumstances for the employment of that slave-labor which is the most valuable part of their capital. They need no assistance from the poor white man; his presence near them is disagreeable and unprofitable. Condemned to the poorest land, and restricted to the labor of merely providing for themselves the simple necessities of life, they are equally indifferent and incompetent to materially improve their minds or their wealth" (p. 515). Cf. ibid., p. 296; Tompkins, ibid., p. 88.

[6] Speaking of cotton culture before the War, "the majority of the white laborers were of the class of 'poor whites,' many of them descendants of the 'redemptioners.' . . . these people . . . had become the parasites of Southern society. Some of them were forced into the mountain region of eastern Tennessee and Kentucky and western North Carolina, and others were left on the abandoned cotton and tobacco lands of the sand hill region of South Carolina and Georgia" (Hammond, p. 97).

the white race must have reached a yet lower depth of squalid and beastly wretchedness."[7]

That the poor whites were the victims of the economic regime and that their laziness was to be attributed in large measure to this prime fact, has been made clear by a keen and sympathetic student of Southern economic history. "All whites who were poor were not 'poor whites,' but many embraced in that term of contempt and pity were poor . . . in the ambition to contend against what seemed to be the inevitable." He thinks that, corresponding to the countryman in New England, there were very moderately circumstanced whites in the South that might be taken as constituting a "yeomanry," but that below these were "the neglected people who . . . were but little removed from the status of the settled Indian. . . . They were the degenerates, the children of ancient poverty and wrong, with little or no opportunity to better their condition among surroundings of a corrective character. . . . Had they not been too lazy to wander far from their apologies for home, they would have become American gypsies. . . . The victims of heredity and of institutions in which they had no interest, placed under laws made for them rather than by them, they were happily removed from the pressure of population that would undoubtedly have reduced them to the criminal or the dependent class."[8]

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[7] Andrews, pp. 335–336. "The Georgia 'Cracker' . . . seems to me to lack not only all that the negro does, but also even the desire for a better condition and the vague longing for the enlargement of his liberties and his rights."

[8] Ingle, p. 22 ff. "John Forsythe of Mobile hit off some of their traits in contrasting the unadulterated 'Cracker' and an unadulterated Yankee, born and bred in the country. 'One is slow . . . and the other quick; one takes a minute to rise from his seat, the other never sits at all except in pursuance of a calculation; one is not without faculties, but they seem to be all asleep, the other with all his wits alive with sagacity, curiosity, invention. The one content to doze away life with as little labor as possible and all the enjoyment compassable; his log hut, wool hat, homespun suit, and corn and bacon the limits of his desires . . .; loving his gun and his horse, addicted to tobacco and strong drink, quick to anger, a dangerous enemy, and a fast friend. The other instinct with life . . . never satisfied with the present wellbeing while anything better

Governor Hammond, of South Carolina, was moderate when he said: "According to the best calculations which, in the absence of statistic facts, can be made, it is believed that, of the 300,000 *white* inhabitants of South Carolina, there are not less than 50,000, whose industry, such as it is, and compensated as it is, is not, in the present condition of things, and does not promise, hereafter, to be, adequate to procure them, honestly, such a support as every white person in this country is and feels himself entitled to."[9]

Professor Hart believes that the term "poor whites" means lowlanders, and that the mountaineers belong in a different category. His reason is chiefly that the mountain whites do not have to contend with the universal presence of the Negro. It is to be remembered that this distinction is of later emergence, and that slavery was responsible for

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is beyond to tempt his longings and his wits.'" A South Carolinian who seemed to be informed gave Olmsted his opinion that communities of poor whites on the banks of the Congaree River were in more hopeless plight than the degraded peons of Mexico, and a rice planter described similar people living in the pine barrens nearest the coast: "They seldom have any meat . . . except they steal hogs, which belong to the planters, or their negroes, and their chief diet is rice and milk. They are small, gaunt, and cadaverous, and their skin is just the color of the sandhills they live on. They are quite incapable of applying themselves steadily to any labor, and their habits are very much like those of the old Indians" (p. 505 ff.). A Northerner told Olmsted of stopping once at a sand-hiller's cabin. One of the four grown daughters was weaving, the others seeming to have nothing to do. "'I asked the girl at the loom how much she could make a day by her work. She did not know, but I ascertained that the stuff she wove was bought at a factory in the vicinity, to be used for bagging yarn; and she was paid in yarn. . . . She traded off the yarn at a store for what she had to buy. . . . If she worked steadily from daylight to dark . . . her wages . . . were less than sixteen cents a day, boarding herself. . . . These people are regarded by the better class with as little respect as slaves . . .'" (ibid., p. 507). This was in South Carolina. Twenty-five or thirty years later such establishments as this bagging mill had largely disappeared, the bartering of yarn was no longer practiced, and such a family of girls as here described was in all likelihood working immediately in a cotton factory for money wages.

[9] Quoted in Olmsted, p. 514. Here again is the thought that they were crowded out of occupations: "Some cannot be said to work at all. They obtain a precarious subsistence by occasional jobs, by hunting, by fishing, sometimes by plundering fields or folds, and, too often, by . . . trading with slaves, or seducing them to plunder for their benefit."

the history of the class of unfortunate whites, whether they were left in the low-country, stranded upon the sandhills between coastal plain and Piedmont, or driven into the hills.[10]

The pertinence of recent accounts of the poorer mountain and tenant whites in their native surroundings is illustrated by the fact that the mills very recently were receiving families in just as destitute condition as those which first entered the factory communities.[11] They regularly came with empty hands. An episode recited of a mill at Spartanburg is typical, where "one day a covered wagon or mountain schooner drove up to the . . . office. It was full of family and that was about all. 'You could put upon a small table all the earthly possessions of that family,' said Mr. Montgomery. The man asked for work. Mr. Montgomery told the superintendent to find them a vacant house. 'But what about the rashuns?' inquired the new 'help.'"[12]

The most recent historian of the American industry in his description of the people who filled the mills of the South does not distinguish between Piedmont, mountain, and lowland (tenant) whites.[13]

It has been seen that while many of the Southern mill ventures were undertaken partly with the express purpose

[10] Southern South, p. 30. For some account of the middle-country poor whites, with a list of the disparaging names applied to them, see ibid., p. 38; a description of the mountaineers (p. 34 ff.) is most dismal.

[11] An admirable recent picture of the life of the poor whites in mountain and lowland sections is contained in a painstaking pamphlet by Frances Sage Bradley and Margaretta A. Williamson, "Rural Children in Selected Counties of North Carolina," published by the Children's Bureau of the U. S. Department of Labor.

[12] Columbia Record, Textile Ed., 1916. Of a factory at Rock Hill it is reported: "A man who moved to the mill from Union County a few years ago was so poverty stricken that he had not even a bed upon which to sleep. He was in such poverty that it was a matter of jest" (ibid.). Of another mill village it is told that "nineteen families have moved into this community within the last fourteen years, bringing their entire worldly possessions in one wagon load . . . ; none of these . . . families had a stick of furniture or a sack of flour or the means to provide for the same" (ibid.).

[13] Copeland, pp. 40–41.

of giving work to the poor whites, in a good many cases the opportunity for profitable employment of these people was entirely overlooked, this giving color to the belief that in proportion as the poor whites dropped out of participation in the economic order, they tended to drop out of the mind of the dominant class. The abolition of slavery did not bring the neglected men and women immediately back into the thought and sympathy of the South any more than into the employment of the South.[14]

It has been seen that William Gregg, the builder of the Graniteville Factory in South Carolina, was the father, in the sense that he was the anticipator, of a new economic life for the South. His keen consciousness of the poor whites stands out in striking contrast to the state of mind indicated in the preceding paragraphs. It is interesting to notice a statement of Gregg's which shows clearly the condition of the lower strata of the white population fifteen years before the war; it is to be remarked that he was combating a tendency not simply to omit the poor whites from consideration, but to place the negroes ahead of these even, as possible industrial workers. "Should we stop," he asked, "at the effort to prove the capacity of blacks for manufacturing? Shall we pass unnoticed the thousands of poor, ignorant, degraded white people among us, who, in this land of plenty, live in comparative nakedness and starvation?" And he continued:

> Many a one is reared in *proud* South-Carolina, from birth to manhood, who has never passed a month in which he has not some part of the time, been stinted for meat. Many a mother is there, who will tell you that her children are but scantily supplied with bread. . . . These are startling statements, but they are nevertheless true, and if not believed in Charleston, the members of our Legislature, who have traversed the State, in electioneering campaigns, can attest their truth.

[14] A Virginia correspondent of the American Agriculturist before the War asserted that whites could be got to work for less price than blacks, but the slaves were preferred. Newcomers were advised, if they wished to use whites, to bring them with them, since the native white population was inferior to the black (quoted in Olmsted, pp. 211–212). A farmer in the same State who employed only free labor found Irishmen at $120 a year the best workers; native whites were declared worse than free blacks (ibid., p. 99).

It is only necessary to build a manufacturing village of shanties, in a healthy location in any part of the State, to have crowds of these poor people around you, seeking employment at half the compensation given to operatives at the North. It is indeed pitiful to be brought in contact with such ignorance and degradation; but on the other hand, it is pleasant to witness the change, which soon takes place in the condition of those who obtain employment. The emaciated, pale-faced children, soon assume the appearance of robust health. . . . It is, perhaps, not generally known, but there are *twenty-nine thousand* white persons in this State, above the age of twelve years, who can neither read nor write—this is about one in every five of the whole population.[15]

A writer already quoted refers to the poor whites of the ante-bellum South as constituting part of the last grade of a class distinguishable from both the unpropertied and the influential landowners, which might be termed a "yeomanry," but he notices their tendency to sink rather than rise in the social order.[16]

Thus again it is indicated how the pressure of slavery, if it worked to bring a small number to the surface, gave to masses an impulse ever downward.

There is very little to show the character of the white operatives in the small and scattered factories that existed in the South prior to the great rise of mills about 1880. Many were doubtless immigrants or descendants of recent immigrants. The Graniteville mill had workpeople who did not differ materially in their economic or social aspects from those in later manufacturing communities, and perhaps the same may be said of a few other establishments in the ante-bellum period. But Graniteville was not typical of

[15] Domestic Industry, p. 22. It is to be observed that knowledge of the plight of the poor whites gained in electioneering campaigns was passive, and did not awaken a purpose to improve conditions. Gregg himself, as a member of the legislature, was the exception that proved the rule. Despite the difficulty of travel and the absence of "statistic facts," as Governor Hammond said, public ignorance of a 20 per cent illiteracy in the white population is as reprehensible as the fact of the illiteracy itself. When Gregg was working out his philosophy in practice, he reported to his Graniteville stockholders in 1855 that 79 in 100 grown girls who came to the mill could neither read not write, adding that "that reproach has long since been removed" (quoted in Kohn, Cotton Mills of S. C., p. 21). Cf. statement of a colporteur in Olmsted, p. 510.

[16] Ingle, pp. 20–21.

its time. Graniteville tapped a class of labor as a class; the smaller factories, with all sorts of local limitations in situation, power, machinery and peculiarities of operation, attracted only individuals, had no labor objective. It was not recognized that any widespread condition existed that made employment in mills desirable, and no distinctive problems grew out of the collecting of persons in the little villages surrounding the factories. That many negroes were used in these enterprises, alone or with whites, helps to blur the picture of the white operatives. In the matter of labor, these early establishments corresponded roughly with grist mills and saw mills then and today. Nobody bothered about where the employees came from or why. It is probable that in most instances they had been living in the immediate localities. It may be concluded that the difference between the mills before the great period and those which followed, with respect to labor, was one of size of the manufacturing unit and of degree of standardization of the industry.[17]

The amount that had to be done for the poor whites after they came to the mills (speaking now of the large development of factories), and their too evident entire newness to the demands of progressive living, reflect a light back upon the years in which they had been pushed aside. The history of the industry since 1880, in the human phase, has been chiefly the effort at reinstatement of a great portion of the population previously neglected.[18] Sometimes the people brought with them little besides bad habits and a

[17] Glimpses of before-the-war operatives frequently indicate foreign birth or ancestry, and are not always inspiriting. Cf. Olmsted, pp. 356–357; Buckingham, Slave States of America, vol. i, p. 171.

[18] A recent president of the chamber of commerce of a capital city said that while in office he refused to give his especial support to projects to establish cotton mills in the place because of all the people who came to a factory, only five or six families would be composed of desirable citizens, the rest lowering the average of population. "You have to take care of these people when they are sick," he explained, "and you must give them schools and churches. Thousands of dollars, of course, were spent in eradicating the hook worm."

total dependence upon the management for moral care and physical upbuilding.[19]

However much the poor whites had failed of recognition before, instances are rare in which mill men, at the outset of the factory era in the South or later, have complained of the quality of the operatives. It may be said that the work of a cotton mill, certainly a mill on coarse goods, is scarcely skilled at all, and that in the beginning management was as unaccustomed to its task as spinner and weaver to theirs. It may be observed that labor was above all cheap, and that advantage thus conferred silenced all objection. But the fact is not altered that Southern mill owners showed a splendid faith in the capacity of their workpeople. Northern superintendents in Southern manufactories seemed unanimous in their satisfaction with the labor.

One of the most distinguished of Southern mill projectors wrote in reply to some doubting remarks of another Southern manufacturer: "I do not admit that the Northern people are any better material out of which to make cotton manufacturers and operatives than our own, and especially in the 'Piedmont belt,' of the South, is the best in the United States, and capable of being educated to as high an order of skill as any other. I have been in most of the best mills at the North . . . and have observed their operations closely, and I challenge that there is as high skill and an equal degree of expertness in the operatives of the Piedmont Mill, as far as the kind of goods made requires . . . as is to be found in any mill in New England."[20]

[19] The head of a large establishment told how "ninety per cent of the operatives—kids and all—used to use snuff. We would get from the loom-boxes, where they would leave them, a barrel of snuff boxes a week in cleaning. Now not fifteen per cent use snuff" (T. S. Raworth, int., Augusta, Ga., Dec. 30, 1916).

[20] Letter of H. P. Hammett to Atlanta Constitution, quoted in Manufacturers' Record, Baltimore, Feb. 1, 1883. An old man, looking back to the starting of his mill forty years ago, said to the writer with a determined look in his eye: "In a speech made in Atlanta at the Exposition [1881] Edward Atkinson told us that we couldn't manufacture goods in the Southern States because we couldn't get help down here; that we should let them manufacture the cotton and we raise the cotton. I saw the help coming in from

It has been seen that some writers would distinguish between the mountain whites, the poor whites of the Piedmont belt and the corresponding group in the coastal plain; that some question exists as to the application of the term "poor whites"; and that some believe there was a tolerably defined middle class in the South before and following the war. However these facts may be, it is chiefly important to understand that the mills drew from all these divisions of poor whites, and if there was a group between them and the upper whites, it did not work to alter the essential economic situation. Whatever technical differences existed prior to the opening of the factories, in the willingness to seek mill employment there was a general merger of types of indigent white people.[21]

Generous estimates of the capacities and promise of the poor whites in the mills and out of them are as easy to find as it is natural to give them. Anyone who sees the people in the country or in the industrial communities and who knows anything of their lives, feels a respectful warmth go out to them. With all the marks of their hindrance upon them, he must recognize that they have all the worth which the best blood in America can bestow.[22]

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dinner at Fall River in the eighties, and it couldn't compare to ours!" (Charles Estes, int., Augusta). Another old man declared: "North Carolina has within its borders more Anglo-Saxon blood than any other State in the Union. There is no better labor in the United States than in the cotton mills of North Carolina" (Charles McDonald, int., Charlotte, N. C., Sept. 3, 1916). It has been properly observed that the term "poor white trash," common in writing about the South, is rarely used by Southern whites. "They are unprogressive, they fail to make the most of their opportunities, but they are not degraded. It is suspended or arrested development rather than degeneracy" (Thompson, p. 113).

[21] Cf. Thompson, pp. 69–70.

[22] The statement of Mr. Baldwin, principal of the Piedmont Industrial School at Charlotte, while very familiar, is worth quoting here. He is speaking especially of the operatives in his own section: "I am satisfied that they are the finest body of people on earth doing similar work. Descended from the early English, Scotch and Germans, they have been sleeping, as it were, while the procession of progress has been passing by. Serious, independent, as all hill and mountain people are; sensitive, because of that independent spirit, for the most part sober, they are a people of untold possibilities, now that they are beginning to arouse themselves from the drowsi-

The cotton mill operatives came immediately from the soil. The cotton manufacturing South sprang directly from the cotton growing South. It is probable that never before or since in economic history has an agricultural population been so suddenly drawn into industry. The sharp emergence of manufacturing from farming, the more abrupt because long delayed, is in a large way the theme of this study. The picture is one with a cotton mill in the foreground and acres of cotton plants in the background, stretching away almost to the horizon.

The relation between farm and factory was especially close in the case of labor. In the decision of individual men and families to leave the land for the manufacturing village it is possible to see, very tangibly, the working of causes that were moving the whole South. In another place the counter pull of the plough against the spindle will be mentioned, when it will be shown how now one and now the other, in the estimation of workers, has gained ascendancy. At this point it is important to notice briefly the agricultural conditions prevailing at about the time of the rise of the mills.

It has been said of North Carolina that "before 1890 the question of satisfactory labor had not been entirely solved. The better class of labor was not easily drawn from the farms to the factories." After 1890 the price of cotton, due to increased production of the domestic staple, to the size of Egyptian and Indian crops, and the depression following the panic of 1893, fell lower and lower. The crops of 1894 and 1895 brought for the most part about five cents per pound, and low prices of wheat, corn and tobacco accompanied the drop in cotton. Fertilizer bills were hard to meet, mortgages were difficult to carry. Cotton mills were running day and night and selling yarns in the markets of Philadelphia, New York, Boston and the Orient. In this

ness of generations and to grapple earnestly with the duties of this active, work-a-day world" (quoted in Goldsmith, p. 27). Cf. Kohn, Cotton Mills of S. C., pp. 21–22. "These people are all Americans, and hundreds could qualify as Sons or Daughters of the Revolution" (Thompson, pp. 110–111).

condition of things, farms were sold, rental arrangements were not renewed and industrious and lazy alike flocked to the mill communities.[23] In the case of other Southern States, the development came earlier and more abruptly than in North Carolina, and the abandonment of farming for the factory occupation was not so dependent upon the price of the staple at the particular time. Even in North Carolina, however, the causes back of the migration, if it may be spoken of as such, were of much longer standing than the account just given might be taken to indicate.

The condition of South Carolina in the decade before the war, in which the average value of the productive industry of the State was declared not to exceed $62 per head of the whole population, omitting the two largest cities, persisted, roughly, down to the years of the rise of the mills.[24]

The desperate, almost comical poverty of after-the-war years left on the minds of men who lived through them impressions that will not be erased. "In my county," said one of these, "the term 'farmer' applied to a man was a name something very like reproach. Every bull yearling was under chattel mortgage."[25]

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[23] Thompson, pp. 69–70. Cf. H. J. Davenport, Economics of Enterprise, p. 201.

[24] From an article on the agriculture of South Carolina, written for The Carolinian by a resident of the State, and printed afterwards in DeBow's Review; quoted by Olmsted, pp. 518–519. "Full one-half, or more, of this amount is consumed on the plantation or farm, as necessary means of subsistence; leaving about $31 as the value of cotton and other marketable produce, per head."

[25] Henry E. Litchford, int., Richmond. The story of a family brought to a Charlotte factory when the Mountain Island mill was washed away in the summer of 1916 is illustrative of conditions prevailing forty years ago. The old woman and her three daughters had recently become operatives, and had nothing. With a fourth daughter, afterwards married, the family had tried to farm in the foothills. They made fairly good crops, the girls working in the field, but, in payment for land, stock, implements and feed, the landlord took all they made above a bare living and a dress or two a year and a pair of shoes for each occasionally. When the old woman finally left for the mill village she was able to pay herself out of debt and, so "the man" told her, she had $7.50 coming to her in cash, but this she never got. In the mill town they proved thrifty, the mother managing to keep her family going a whole week on $5 advanced by the management (Sterling Graydon, int., Charlotte).

One who has witnessed the economic awakening of Greenville County, South Carolina, from the commencement, rehearsing the evils of the system under which farmers bought on credit, paying once a year, frequently by note, much to the hurt of the agricultural community, spoke with satisfaction of the change since that time. He said that now no merchant in Greenville does a time business with farmers. The latter get small loans at the banks; one bank has for many years been lending some people regularly such small sums as thirty dollars, and it will lend as little as ten dollars. He remembers what may almost be said to have been the beginning of a local money economy. He saw the first whole bale of cotton ever brought to the Greenville market. The man who purchased it was consumed with fear as to his wisdom in putting so much money in cotton. Would the county ever need so much? This was about 1870, and gives a notion of the pettiness of farm operations in the up-country region then and later.[26]

A system of tenancy in which the farmer contributed little or nothing besides his own labor; in which, by custom, by pressure of the landlord, by dictate of his creditor merchant and by absence of initiative, the tenant raised only cotton; and by the working of which the proceeds of a crop, on which a lien was held, were consumed before they were realized, could not make agriculture promising.[27] It is re-

[26] W. J. Thackston, int., Greenville. The almost total absence of money in rural communities will be noticed later. Mr. Kohn, after reviewing the situation of operatives at the time they were farmers, came to the conclusion that "the attraction of the cotton mills, to those who are in them, in a word, is the cash money" (Cotton Mills of S. C., p. 26). Cf. ibid., pp. 22, 27.

[27] Some facts gathered by Mr. Kohn as to recently prevailing tenancy arrangements in South Carolina serve as a fair picture of earlier conditions. In the Pee-Dee section the landlord ordinarily paid for fertilizers, ginning, bagging and ties, and the tenant received half the crop. It was thought good for a tenant to "make" fifteen bales of cotton, his half, at $50 a bale, bringing him $375. The sale of a few bushels of corn not needed to feed the stock, and hauling and other work might net him $150 additional, a total of $525. This family might have one plough and two hoe hands. The same family in a cotton mill, at the time of writing, would have made about $900. A tenant in the Piedmont section, having to share in the cost of fer-

lated that the help for a mill built as late as 1896, picked up on the neighboring farms, "had no money, no prospects. Cotton was the only money crop and the price, four and one-half cents, was such as to make a year's wages insignificant by comparison with what could be earned in the mills. They came to the mills for employment, for relief from the weight that pressed down upon them."[28]

Having seen something of the character of the poor whites and the economic situation in which they were before the building of the factories, it is natural next to examine the experience of the mills in recruiting labor. First will be noticed the cases, almost universal, in which applicants for work were plentiful, and afterwards some instances in which, for special reasons, operatives were not so readily obtained.

The labor motive for the building of mills has been dealt with in a previous chapter. Plentifulness of labor is an easy conclusion from the arguments advanced that cotton manufactories should be established in the South because labor was cheap and because the employment would be a benefit to large numbers who had only precarious means of livelihood. In only a few cases in which sufficient labor for a proposed mill was felt assured, did the anticipation prove incorrect. There was little guessing involved; it was a mine the veins of which lay in a net-work on the surface of the earth. The question was whether mills could be built, not whether they could be filled with workpeople pressing to be admitted.

Gregg's recognition that the poor whites would make

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tilizer, would have very little left after meeting the advances of the merchant and fitting out his family with clothes (Cotton Mills of S. C., pp. 27–28). Cf. News and Courier, Charleston, South Carolina in 1884; Bradley and Williamson, pp. 20–21; Charles H. Otken, The Ills of the South, chaps. ii and iii; Hammond, pp. 144 ff., 155.

[28] Columbia Record, Textile Ed., 1916. For a good statement of the reasons why poor whites came to the mills, see Derrick, "The Cotton Mill Population of the South," in Bulletin of Newberry College (S. C.), vol. ii, no. 8, pp. 32–33. Cf. Thompson, p. 114 ff. on this point and for an interesting classification of types that enter the factories; the same classification might have been made forty years ago with equal truth.

good cotton mill operatives is matched by the view of a Northern man made a decade before the war, that if the cotton manufacturing industry should be founded in the South, labor would be in supply. He urged that cotton planters should become cotton manufacturers, showing how the profits from industry were greater than from agriculture, and continued: "But, after having admitted all this, the cotton planters and capitalists of the South raise the inquiry: Suppose we wished to go into the manufacturing business, though we had plenty of raw material, how should we obtain the labor and skill qualified for the work, and of both of which we are deficient?" This conjectured inquiry, one coming naturally from owners of large plantations worked by negro slaves, was answered without hesitation: ". . . a fine supply may at all times be obtained, in New England, to manage and supervise . . . operations . . . and there are thousands of persons at the South, who would gladly and gratefully accept such employment to earn a livelihood, much superior to that which their present means can possibly afford; and would quickly become qualified for the work of operatives, under the charge and direction of good . . . managers. . . . In a comparatively short period, hundreds of factories might be erected and started at the South, and fully supplied with every description of skill and labor wanted."[29]

Impossible as was this proposal for widespread manufacture of cotton at the South at the time it was made, the prophesies it contained were realized, when finally the mills were built, with remarkable completeness. Thus thirty years after James wrote, the president of the Louisville and Nashville Railroad was able to say in a Northern paper: "Mills for the weaving of the coarser cotton fabrics are now in successful operation in Tennessee, Georgia, Kentucky and several of the Atlantic coast States. . . . The labor question in the South, which a few years ago presented many difficulties, is now as practically settled there

[29] James, in DeBow, vol. i, p. 233 ff.

as in any other portion of the land. The class formerly known as 'poor whites' are mixing and assimilating with their more fortunate neighbors. They are making good workers in mine and field, good operatives in factories. . . ."[30] It was stated in 1880 that within a few months five hundred white North Carolinians had left the State to seek homes in the West, and that the movement was increasing. The number of emigrants with sufficient energy and means to go far away did not need to be large to indicate that there was a surplus of labor.[31]

The Atlanta correspondent of the New York Times, describing the cotton mill campaign in the South, said that "there is an abundance of native white labor to be had at from 50 to 60 cents a day"; explained that while negroes had not been proved entirely unsuitable for the work,—"there are white men and women enough for all present demands,"—and continued: "Of the many benefits which the community at large, as distinguished from the capitalist and manufacturer, will enjoy from the extension of manufactures in the South, the chief one will be the opportunity afforded for the profitable employment of thousands of hands now idle." White labor must yield to black in cotton growing and in the less skilled trades. "Shut out in so many directions the whites, who now find life a bitter struggle, will gladly turn to the spindle and loom as a means of gaining a livelihood. Manufacturing will be their deliverance. . . . For girls and women who have hitherto had no opportunity to earn money the establishment of factories in every town and village will be an incalculable blessing."[32]

[30] Quoted from New York Herald in News and Courier, Charleston, July 11, 1881. By 1888 the abundant supply of labor in South Carolina was not only recognized in the State itself as an asset, but was advertised as such to manufacturers who might be considering locating there, the State department of agriculture publishing that "the manufacturer of cotton goods finds . . . a population willing and anxious for employment, out of which can be made as intelligent, skillful and reliable operatives as are to be found anywhere" (South Carolina Department of Agriculture, Sketch of Industrial Resources of S. C., 1888, p. 27).

[31] Concord Sun, quoted in Observer, Raleigh, Feb. 24, 1880.

[32] Quoted in News and Courier, Charleston, Nov. 5, 1881. How

From one of the new cotton mill localities in 1881 came the following, which has the distinctive flavor of the times:

> Not only should there be different kinds of crops, but we ought to have other ways of securing a livelihood besides farming. There ought to be other kinds of work furnished the girls of the State besides housekeeping. The factories that are springing up over the country will help them a great deal. Here is a factory established at Piedmont which will give employment to six hundred persons, half of whom will be girls. But we need others. There is a man here now from Edgefield who has a family of six girls and who has come here to get them work in the Piedmont factory. But he is too late. Every house in the place has been engaged and there are twenty families that have applied for positions, but have been refused because they are not needed. Four families of thirty persons have moved in since yesterday.

Many who were not idle or even, perhaps, exactly "marginal" producers, came to the mills, thus increasing the visible labor supply. It was said that "as soon as the crops are gathered all the others that have secured places will move here. The population at present is over one thousand and it will be 1,500 in two months. There are more carpenters and mechanics employed here now than at any past time. . . . 240 rooms are being plastered."[33]

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little conditions in the South varied from one locality to another, how universal were the causes which underlay its economic plight, are instanced on every hand. Places outside the South were more likely to possess peculiar economic characteristics. Thus a Philadelphia textile journal remarked that "Baltimore . . . offers some of the best advantages for starting manufacturing establishments of any point in the United States. . . . Labor is plenty and cheap, there being a great number of females who are employed during the packing season, which lasts but a short time; the balance of which they eke out a miserable existence by sewing." Here was a purely local circumstance (Philadelphia Hosiery and Knit Goods Manufacturer, quoted in Baltimore Journal of Commerce and Manufacturers' Record, July 15, 1882).

[33] News and Courier, Charleston, Oct. 21, 1881. The son of the founder of this mill told the writer that "there was no opposition among the country people against the mills. At Piedmont in the early days it was impossible to give employment to all that offered themselves" (James D. Hammett, int., Anderson). The rush to hastily constructed mill villages, though from a local region, was much like the lightning growth of gold towns in California and Alaska, and, more recently, at munition plants. Of the Clifton mill in South Carolina it was said that "there are families coming in constantly and the cottages as fast as completed are occupied, and still they come" (News and Courier, Charleston, Oct. 21, 1881). There were many reasons for a large proportion of women and girls

Of operatives proper in Southern mills, the census of 1870 showed that women comprised 41.2 per cent. In 1880 the percentage was 49.4, but by 1890 it had receded again to 40.6. In the New England mills, on the other hand, the proportion of women in all classes of employes was a little higher in 1890 than in 1880—49.4 per cent as against 49.2 per cent. In Southern mills the percentage of children decreased slightly between 1880 and 1890—from 24.5 to 23.7, whereas in New England the proportion of children fell away greatly in the decade—from 13.9 to 6.8 per cent. In the South the percentage of men increased from 30.2 to 35.6, and in New England from 36.8 to 43.7. Thus in New England mills, decrease in the proportion of children was accompanied by an increase in percentage of men, but also by some increase in percentage of women. In the South, on the other hand, a slight reduction in proportion of children was coincident with an increase in the proportion of men and a correspondingly sharp fall in proportion of women. In New England there was a relative elimination of children, and in the South of women.[34]

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in the ranks of those who applied to the cotton mills for employment. Elsewhere the effect of the Civil War in reducing the number of men and boys and in crippling others is noted. It was less easy for females to compete with colored labor than for males, not only from physical but from social causes. The cotton factories offered a field from which negroes were excluded. The work was light and suited to deft fingers. What applied to women and girls was true in slightly less degree of young boys.

[34] The percentage of women in Southern mills in 1880 is taken from absolute figures in U. S. Census of Manufactures, 1880 (Cotton Manufacture, by Edward Atkinson, pp. 15–16), and is higher than that given in the census of 1890 (Cotton Manufacture, by Edward Stanwood, p. 173)—45.3—in which all classes of employes, and not simply operatives, were included. Obviously, office force and "outside" help would include few women. Other percentages approximated in the fractions are from U. S. Census of Manufactures, 1890, ibid. The trend pointed out above may be seen more clearly by taking the year 1900 into consideration. Between 1890 and 1900 the number of children in New England mills increased 8.7 per cent; women 1.89; and men 23.9. In the South the number of children made a gain of 177 per cent; women 125; and men 223 per cent (percentages from absolute figures in U. S. Census of Manufactures, 1900). Of course, it must be remembered that the number of all employes in Southern mills was greatly increasing after 1880. In

In the South and in New England the cotton industry, in respect to labor, has eased itself at the points of relatively greatest strain. In the South this meant proportionate decrease in number of women employed; in New England it meant decrease in relative number of children. If it is borne in mind that in the South there was first great pressure for employment, changing gradually to insistent demand for workers, distinction in alteration of proportions of operatives in the two sections is not difficult to account for. In the South in the beginning everybody was eager for work, and women seemed better suited to take hold of an industrial task than children; later, when the fullest numbers were needed, the nature of factory work was familiar, and more children could go into the mills if mothers worked at home.[35]

Census figures are borne out roughly by many references that may be found relative to labor in the mills at the outset of the period. Thus two-thirds of the operatives at Langley were female (girls included with women) in 1880, and it was reported of Graniteville and Vaucluse that "the number of operatives employed is 775; two-thirds of whom are females and who range from 11 years up."[36] In a factory at Selma, Alabama, "the operatives number 120, mostly women and children, taken from Selma and vicinity."[37]

The prevailing low rate of wages, as also variations in wages between one mill and another, may be taken as indications that labor was in abundant supply. An examination

1850 and 1860 the number of women was about the same—6157 and 6039. In 1870 there were 4190, in 1880 there were 7587, and in 1890 there were 15,083 (ibid.).

[35] Edward Stanwood (Cotton Manufacture, p. 33, in U. S. Census of Manufactures, 1900), was mistaken in neglecting these considerations. "Whole families in that region," he said, meaning the South, "enter the factories, because in no other way can the demand for labor be satisfied. Consequently the changes in the proportion of men, women and children employed are largely fortuitous." On the face of it, his statement is unfortunate, because taking together great numbers of families entering the mills, a statistical trend would easily show itself; moreover, after a family has been in the mill a while, some members may discontinue the factory employment.

[36] Blackman, pp. 7 and 4.

[37] News and Courier, Charleston, March 31, 1881.

of newspaper files covering the opening years of the cotton mill period failed to disclose a single advertisement for operatives. When it is remembered that factories sprang in great numbers and simultaneously from an agricultural regime, this is striking.[38]

An article summarizing a newspaper correspondent's study of the South Carolina cotton mills in 1880 declared that "the difficulty in obtaining operatives is not great, it seems. Indeed no new industry has ever been adopted with less difficulty, and with fewer drawbacks and discouragement [sic], than the business of manufacturing cotton in South Carolina."[39] There appeared to be no apprehension about getting operatives for the largest plants. Thus the King mill at Augusta in 1883 began production confidently. "The first beam was taken off the slasher Wednesday morning . . . at 10.30 o'clock, and the first loom was started Wednesday afternoon at 3 o'clock. Last evening there were fifty-three looms running. Supt. Smith reports that so far he has had no trouble getting hands, and does not anticipate trouble in this direction."[40]

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[38] It is true, of course, that newspapers were then not so widely read as now, and did not reach to very large extent the people who were attracted to the mills. Many of the first mills were from the start operated at night, which required a double force of hands. Thus more mills than were built might have sprung up and had labor to run during the day, without exhausting the labor supply, providing the conclusion reached in this study, that workers were plentiful without respect to locality, is correct. For example: "Quite a number of Mr. Cornelson's new factory hands have already arrived at Orangeburg, and the mill is now being run at night" (News and Courier, Charleston, April 9, 1881).

[39] Leading article, in Blackman. The article was probably written by F. W. Dawson, editor of the News and Courier.

[40] Chronicle, Augusta, Nov. 11, 1883. The first president of this mill told the writer that the factory "got plenty of help right here locally, all natives" (Charles Estes, int., Augusta). A factory which had its start before the cotton mill campaign was in every sense a local enterprise. Its operatives were described as being "all natives, with one exception, who have been educated to the business. This class of labor is very readily obtained from the surrounding country" (Blackman, p. 10). Speaking of the beginnings of the cotton mill South, a commission merchant who has been intimately identified with the development said that "labor was superabundant and very cheap" (Summerfield Baldwin, int., Baltimore).

The superintendent of the Langley factory stated that "labor was very plentiful and that they could get 20 per cent more than was required to run the mill. The . . . operatives are made up entirely of the people born and raised right in the vicinity."[41] An old man who saw the founding of the mills said that the availability of a labor supply did not form a strong motive in the locating of factories, for there was never any difficulty about getting operatives.[42]

A superintendent in another State gave similar testimony: "Proximity to a labor supply was not considered in the location of mills early in the period. There was plenty of labor at first." Mr. Tompkins, explaining what he considered the corrective results of manufactures protected by a tariff, gave a little picture of the South that had been familiar: "You all know that fifteen and twenty years ago we did have an army of unemployed. . . . Any town in those old days presented a street spectacle of listless loafers, white and black, leaning against the door facings, telegraph poles and sitting on boxes. Even the dogs caught the listless spirit and didn't get up to bark."[43]

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[41] Blackman, p. 7.

[42] Charles McDonald, int., Charlotte.

[43] American Cotton Manufacture and the Tariff, p. 9. For the Arista Mills, at Winston-Salem, the attempt was made to get skilled operatives from other factory communities, but this proved expensive and unnecessary, because many in an already floating population offered experienced services and others came in sufficient numbers (John W. Fries, int., Winston-Salem). It will be seen later that labor continued in abundance for a good many years following 1880. Tompkins, whose largeness of view is not often to be interpreted as exaggeration, thought the South had enough idle people to fill factories that would drive England and Germany out of world markets (Cotton Mill, Commercial Features, p. 177). He argued that "Those who know the existing conditions will probably not dissent from the opinion that it would be easy to put 1,000,000 people to work manufacturing cotton, and never miss them from present employments. Estimating 12,000,000 out of the entire population as being white people, even from amongst these, a million could be more than easily spared" (ibid., p. 20 ff. There is much in this reference to show how cotton mills in the South took up slack in the available working force and improved conditions of urban and rural communities). In 1900 Tompkins believed night work was necessary if all of the mill people were to be kept in jobs. "The night work in cotton mills

Having seen how generally willing the people were to offer themselves for work in the cotton mills for a long period after the first establishment of the industry in the South, it may next be shown from what localities labor was drawn, what were the immediate and what the secondary regions of supply. Before speaking of the migrations to the mills from districts just surrounding them, however, incidental notice might be taken of the fact that farmers' daughters frequently embraced temporary employment in the little neighborhood mills running before the Civil War. They wanted to make money to buy trousseaux or to help their families, but they did not intend to become factory workers. They perhaps walked to and from the mill morning and evening, or, if their homes were at an inconvenient distance, might live with a friend near the factory. These conditions prevailed with respect to five mills on Deep River in a Quaker community in North Carolina prior to 1850. This was not considered menial service, and the young women often married officials in the mills. The custom was roughly that of farmers' daughters in parts of the South today, who work in canneries in their neighborhoods a few weeks in the summer.[44] This practice had nothing to do with the readiness with which an agricultural population entered factories from 1880 forward.

It is difficult, speaking for the majority of cases, to agree with the statement of Mr. Copeland relative to the smaller Southern factories that "frequently a mill was established in an out of the way place so as to employ workmen who were not willing to move but would work for low wages

is better than any other work the operatives can get now or they wouldn't take it. It would be a hardship to close all the mills at night and throw all these people at once out of regular employment" (Labor Legislation, p. 4). Mr. Thompson thought it necessary to state in 1906 that "the difference [in wages] in favor of the factory is so great that only the natural inertia of a rural population combined with certain social disadvantages of factory labor prevents an over-supply" of operatives (p. 274).

[44] Cf. Thompson, p. 51 ff. With reference to similar conditions in cotton mills in New England at about the same period, see Copeland, p. 12.

near their homes."[45] There were instances in which the proximity of a labor supply was a factor in determining the location of a mill, but with these comparatively rare establishments, the thought was that the plant would be closer to prospective hands than other mills, would be in the path of an efflux of labor. In hardly any case could the people do otherwise than move their homes to the village provided by the factory, or to the town in which the factory was located. They usually knew that they were divorcing themselves from the soil. The mills went to the labor only in the sense that they competed for positions convenient to a general labor supply. It is said that cotton manufactures were located at Anderson, South Carolina, partly because the place is only about thirty miles from cheap labor in the mountains, but workers came to this mill first from the close neighborhood, and afterwards from the mountains.[46]

It is true that sometimes the prejudices of the people and their local ignorances assisted a mill placed near them. A superintendent who has had experience in soliciting labor for a large mill in a city said that "a new operative from the country naturally goes to a country mill. These people look on Spartanburg as I would look on New York City, as a great big corrupt assemblage of humanity where folks can't raise their children right."[47] But the people who went to the mills had decided to become operatives, and if country families sought country mills, these might have been at a greater or shorter distance from their homes without considerably influencing their willingness to seek the industrial employment.

Ordinarily, "it was possible then to locate a mill almost anywhere and strike a labor supply."[48] Labor was so abundant that it was an advantage, rather than an object.

It has been suggested to the writer that the cotton mill era in the South was made possible by the pushing of railroads

[45] Cotton Manufacturing Industry of U. S. (p. 143).
[46] J. A. Brock, int., Anderson, S. C., Sept. 11, 1916.
[47] W. J. Britton, int., Spartanburg, S. C., Sept. 5, 1916.
[48] C. S. Morris, int., Salisbury, N. C., Sept. 1, 1916.

up to the mountains, thus tapping pools of labor that flowed down into the Piedmont and lower country. Perhaps three considerations have prompted the thought: first, that cheap labor certainly contributed largely to the success of the factories at the outset; second, that there was an important period of railroad building in the South Atlantic States just before and during the years in which the cotton factories were erected; third, that many operatives came from the mountains. The number of mountaineers and "hill people" in the mill population of the South is large, but the curiously prevalent impression that all factory operatives were drawn from mountainous districts is mistaken.

Labor in the years of the rise of cotton mills was scattered; it was available in nearly every part of the South; it was not dammed up in the mountains alone. It will be seen that the people came to the mills first from districts immediately surrounding the plants. Wagons carrying the entire household goods of the new help formed the means of conveyance. After a good many mills had supplied foci for the labor of their localities and some operatives had been trained, labor begun to be a little fluid. Workpeople moved from mill to mill. As more factories were established, the populations of more sections were attracted to industrial life, the total body of operatives became larger, the distance from one plant to another was less, information as to comparative conditions in mill villages was more easily obtained, and there developed what has been called "the floating element." But this mobile element, it is to be noted, was composed of cotton mill operatives, and not of people just from the land.[49] Not until late in the history

[49] "Railroads to the mountains did not tap pools of labor. There was not much floating or flowing of labor until the mills had been long established" (Charles McDonald, int., Charlotte). President Baldwin, of the Louisville and Nashville Railroad, in the interview in the New York Herald already quoted, spoke of the part of the railroads in opening up a future for the South and dwelt at some length upon the poor whites and their entrance into the factories, but did not mention any assistance of railroads in forming an outlet for pent-up labor supplies. Cf. George B. Cowlan, The Undeveloped South. Search has failed to reveal a case in which, among the many

of the Southern mills, as will be pointed out in more detail presently, did establishments get fresh labor from any distance, and in these cases the stimulus to move came from the mills, not from the people. The iron filings had no greater impulse to move to the magnet than formerly; more power had to be given to the attractive force. The mills had been building a good many years before it was necessary for them to solicit labor, and it proved hard work.[50]

Labor from the mountains came a greater distance, perhaps, than that from the farming districts, but this was because there were no mills right in the mountains. It was essentially local, just as much as was the tenant labor.[51]

For the Westminster Mill, in South Carolina, a very small affair owned by cotton planters, "the operatives consisted of seven young girls of the neighborhood who had never seen a cotton factory and one skilled operator, who trained them and attended to the card."[52] So far from bringing labor to mills, railroads may rather be said to have brought mills to labor. A newspaper correspondent wrote from the Piedmont: "Six years ago the country now traversed by the Air Line Railroad was an almost unbroken wilderness. There were few people, little energy and no progress. Now there are towns and villages all along the

reasons urged for extending small up-country branch lines, that of releasing needed labor figured.

[50] Cf. U. S. Census of Manufactures, 1900, Cotton Manufacture, p. 30. Even at this time, when the industry was "growing at a wonderful rate," the report was that "the help employed is chiefly local."

[51] It is interesting to note that very recently, since hands have become scarce, a tendency to erect mills actually in the mountains has shown itself.

[52] Blackman, p. 18. In this instance the operatives must have lived at their fathers' places, but this was unusual. The local character of the labor supply is frequently indicated in the provision made for the operatives' homes and general living—poor people from the vicinity came to and snuggled up against the mills like chicks under the protecting wings of the mother hen. The villages were like medieval hamlets clustered about a fortified castle. The factory was the provider. An officer of a small establishment which commenced operation in the seventies said: "Our labor is composed entirely of natives who have been educated to the business. They are very comfortably located, and have the free use of all the wood they require" (ibid., p. 8). The same had been true of the older Graniteville factory all along (cf. ibid., p. 55).

route, and the back country is rapidly being occupied by a thrifty and industrious population. In Pickens County, at Greenville and in Spartanburg, cotton factories have been built. . . . One hundred hands are now employed in the factory [Clifton], and, when the mill is finished, this number will be increased to four hundred. The employes, with the exception of the superintendents in the various departments, are all natives; there are no others on the pay rolls of the company."[53] In an account of the Huguenot factory, in the same State, it was said that "in the operation of the mill home labor is employed, the weavers being principally native women and girls, who with application soon become proficient in the art of operating the looms."[54]

One evidence of the local origin of operatives and mill projectors alike was the mutual respect prevailing between management and workpeople. The owners of cotton mills did not look down upon their employes. They might and usually did recognize that the operatives were lacking in education, thrift, energy and property, and they applied themselves to alleviate these conditions, but always there was the knowledge that employer and employe were of the same origin, the same blood, and, not remotely, the same instincts. After-war struggles brought an intimacy through propinquity which in earlier years had been impossible. Men who were active in the opening of the cotton mill era in the South resent any suggestion, recognizing in it a slur somehow upon themselves, that the operatives were inferior people.[55]

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[53] News and Courier, Charleston, May 21, 1881.

[54] Baltimore Journal of Commerce and Manufacturers' Record, Oct. 28, 1882.

[55] A very elderly gentleman, characteristic of the best the old South produced, had no sympathy with writers who are free in forming theories about the South, or who wish to make Southern problems seem distinctive. "Where did the first labor for the Greensboro mills come from?" he was asked. "From the mountain sections?" He replied with scorn: "That's all stuff! Magazine writers and such people, magazine writers, I say, come down here and spread such statements. The people came from right 'round here—some from this county, some from counties adjoining this. They were no paupers, either. They were the best kind of people.

The remarkable story of the Salisbury Mills, born in a religious and philanthropic impulse, has been told in a previous chapter. It goes without saying that this factory "was built for the home people," and it is interesting that the managers "never had anybody else in it."[56]

For the Kershaw mill, "the employes came from right around Kershaw and are good citizens."[57] In many mills early conditions are reflected today. The Shelby Cotton Mill, it is recently reported, "employs . . . about three hundred operatives. They are . . . in most cases native Cleveland county stock—good old Scotch-Irish and similar blood lines,"[58] and it is said of the small Indian Creek Mill: "It gives employment to about sixty operatives and these workmen are native Lincoln county people."[59]

Proximity was the chief determining factor in the source of labor. If there were not enough people in the immediate vicinity of a mill in the Piedmont to fill its needs, some operatives would be recruited from the higher country a little distance away. Thus of the Spartanburg mills:

They went into the mills because it was a new thing, you know, and looked like a good thing." Asked then, "What did they do before going into the mills," he replied: "Farmed! [with emphasis, as though anyone should know that]. Worked their farms! 'Course, many of them didn't own their places, were tenants. They helped themselves by going to the mills—got schools now and all that." This statement is mistaken in excluding the attraction of labor from the mountains, and overdraws the propertied character of the first operatives, but is significant in spirit. Though recognition was granted the poor whites belatedly, it was generous when it came (James Moorehead, int., Greensboro).

[56] O. D. Davis, int., Salisbury. Operatives came from within a radius of twenty-five miles (C. S. Morris, int., Salisbury). Cf. Charlotte News, Textile Ed., 1917, with reference to this establishment.

[57] Columbia Record, Textile Ed., 1916.

[58] Charlotte News, Textile Ed., 1917.

[59] Ibid. Instances are easily multiplied. Cf., respecting Clyde, Carolina, Great Falls, Raleigh, and Bladenboro mills, ibid.; for example, "The greater part of the employes in these mills, particularly the older ones, came to the mills from the territory surrounding Rockingham. Many of them came from tenant farms where a year's livelihood was earned by the proverbial sweat of the brow, and much of it" (ibid.). Cf. also Columbia Record, Textile Ed., 1916.

"Labor first came from this immediate section, supplemented by people from the mountains and foothills."[60]

A great many workpeople for a South Carolina mill located in the country came from the four surrounding counties, but "another big body of the new help came from the mountains of western North Carolina."[61]

A woman who had been president of the Batesville factory, in South Carolina, gave an interpretative account of the commencement of the mill period. "The section was desperately poor," she said. "The village of Greenville would have been called in the foothills. Farming returned hardly anything to put in the farmers' mouths. There were women and girls—many more women than men, because the war had taken the men—whose lives were empty. The mills opened a vista before these; it was like finding a mine, you know. Most of the mills got local labor. In 1880 Camperdown, say, could draw no labor within a radius of half a dozen miles. This was also true of Batesville a few years later, before labor came from the foothills of the mountains. . . . After ten or fifteen years the labor of the localities was exhausted, and it was necessary to send to the mountains."[62]

It will be noticed presently that the pull of the field

[60] J. A. Chapman, int., Spartanburg. Of a knitting mill at Union: ". . . fifty per cent of the operatives are natives of Piedmont South Carolina, the others from the mountains of North Carolina and East Tennessee" (Columbia Record, Textile Ed., 1916. Cf. ibid. with reference to the Ninety-Six Mill, and Charlotte News, Textile Ed., 1917, the account of Rhyne's establishments in Lincoln County, and such mills as Marion and Mayworth).

[61] Columbia Record, Textile Ed., 1916. A newspaper summary of a survey as late as 1917 said: "Many mills will be found where there is not a man or woman employed except North Carolinians. . . . For the most part these employes come from the territory immediately surrounding the mills with additions from the mountains of the State" (Charlotte News, Textile Ed., 1917).

[62] Mrs. M. P. Gridley, int., Greenville. Cf. Kohn, Cotton Mills of S. C., pp. 22–23. A Piedmont manufacturer said: "The labor at first was strictly local. Neighboring farm people came, probably from the same township or school district with that in which the mill was situated. Later it was necessary to send for labor from a distance—North Carolina and Tennessee. Labor at first was localized and did not move much" (J. B. Cleveland, int., Spartanburg).

against the factory has tended to make cotton mill labor in recent years doubly difficult to secure. Not only have those readily willing to do factory work been drawn to the mills, but many who enter the mills return to the farms. This is true more largely of tenant help than of mountain people. When the family pulls up stakes in the mountains and comes down to a mill village, the temptation to leave again is not so strong as in the case of a family which has moved in from a familiar farm a few miles away.[63]

In rare instances mills at considerable distance from the mountains received their labor primarily from the mountain regions. It is said that labor did not come to the Charlotte mills to any great extent from the adjoining country, but almost entirely from the mountains or foothills. Even for tenants, the farming was too good in the vicinity of the city to allow mill wages to tempt them away.[64]

Before proceeding to other topics, it is convenient to speak of certain instances in which mills found difficulty in securing operatives. Usually, peculiar local circumstances were responsible for the inability of a factory to provide itself with employes. As has been made clear, the rule was an abundance of help.

A writer who lived in the South in the years just preceding the first years of mill building assumes that a prime perplexity of the mills was the recruiting of operatives. Thus, speaking of the founding of the industry in South Carolina, he says: ". . . the money had to be raised, largely with the assistance of the North; the companies formed, property bought, materials secured, homes for the operatives constructed, and last and most difficult of all, employees obtained." He quotes approvingly a letter of an

[63] It is said that "most of the operatives at Kannapolis (at any rate thirty miles from the mountains)—the permanent ones—come from the mountains. A good many come in from the surrounding farms to work a few months, and then go back to the farms" (H. W. Owen, int., Kannapolis, N. C., Jan. 6, 1917).

[64] "If you will trace back through two or three generations, you will find that 75 per cent of the operatives in my mill are descended from people who came from the mountains" (Sterling Graydon, int., Charlotte).

Englishman who was in the State during the Civil War, written to a mill president in 1908, saying that the rise of industry from agriculture seemed "all the more extraordinary because the State possesses no coal, and there was no superfluous population out of which to evolve mill hands." Paucity of labor was spoken of as an apparently insurmountable difficulty.[65]

Probably both of these writers meant that there were no laboring people accustomed to factory employment, that there was no industrial class from which to draw.[66] It will appear later that in a good many important instances, the projectors of cotton mills in the eighties failed to see the opportunity of utilizing the labor of the poor whites, and looked for operatives from every other than this most plausible source.

Contemporary estimates of facilities for establishing a cotton mill rarely voiced any doubt on the head of labor.[67]

If any cause of scarcity of help may be termed general, it was a prejudice against factory work under bosses on the part of persons who had been, in however poor or supposititious a fashion, their own masters. It might be supposed that objection to indoor employment and life in a mill village would be frequent with people with rural traditions. It must be remembered, however, that, their farming being at lowest ebb, they needed to take desperate remedies, and, moreover, dislike of a mill community could not be very strong in the face of the barrenness of country living.

[65] Goldsmith, p. 7.

[66] The Englishman concluded with the question: "For how could anyone see that the water power of the Alleghanies [Blue Ridge] could be converted into electric force, or that you could turn the clay-eating Cracker into a self-respecting mill hand?" (ibid.). Perhaps this correspondent's surprise at the success of the mills is rendered plainer by recalling the devastated condition of parts of South Carolina during and right after the war. Cf. Andrews, p. 34, as to Columbia in 1865.

[67] No particular apprehension can be ascribed to the desire of a correspondent of a newspaper that, lest a single failure should occur in the development of mills in the State, all possible light should be thrown upon comparative costs of steam and water power and advantages of location with respect to freight, health and labor (News and Courier, Charleston, April 29, 1881).

Where unwillingness to accept factory employment actually operated to keep some people out of a mill, the plant was in most cases located in a city and could depend upon the urban population for its help.

But there might be difficulty even here. The President of the Atlanta Cotton Factory in 1880 was unable to get hands to run the mill at full capacity. He thought this was due to objection of women and girls to the class of work or to surroundings in the mill. A newspaper editorial, commenting on the situation, thought that the girls, when they considered the matter, did not mind factory work, but that the absence of cottages for operatives was the cause of the dearth of labor, rents in the vicinity of the mill being high, and the pay being too small to allow of a long trip from home to plant. It was pointed out that if operatives were brought from the North, as was being contemplated, the same housing problem would confront them as the natives. However, if suitable cottages were built near the mill, the president "could obtain in Atlanta and the section of country adjacent any number of women and girls who will not only gladly work, but will be eternally grateful to him for furnishing them the means of earning a comfortable and honest livelihood."[68]

It was explained that the managers of the Charlotte Cotton Mills, employing fifty-five hands, nearly all skilled workers drawn from surrounding factories, "had been anxious to obtain their operatives among home people, but some insuperable prejudice seems to exist to the business, and not more than one or two, so far, have engaged."[69]

Difficulty in getting labor was not more hindering in any

[68] Daily Constitution, Atlanta, Jan. 2, 1880. In Charleston, which has had a bad reputation on the score of availability of labor, a mill in the last two decades has solved the problem by building an excellent village around the factory. Most of the operatives, it is true, have not come from Charleston, but from other parts of South Carolina and from other States. "We have always had enough help; we could start another mill right in our village and have labor enough for it" (Julius Koester, int., Charleston, S. C., Dec. 27, 1916).

[69] Raleigh Observer, quoted in News and Courier, Charleston, Feb. 26, 1881.

city than in Charleston. Labor was the *bête noire* of the Charleston Manufacturing Company. And after the event transpired, it seemed that every one should have recognized that this would be the case. That a plant which was the perfect embodiment of the cotton mill campaign, as has been seen, should be built in Charleston, was natural; that it could not succeed was almost as inevitable. Founded in idealism, it was not able to prosper in fact. Born in the minds and hearts of Charleston's best, it did not proceed from the determined and more silent cooperation of the whole community in the manner of other ventures which became permanent. It must be remembered, however, that this mill stood at the commencement of the cotton mill period in the South; it in a sense marked the epoch. There were few traditions, either local, state or sectional, upon which to calculate. One of the leading projectors of the company, explaining that at the time the mill was started there were few females in cotton factories, described the unfortunate experience of this first enterprise in a large seaport: "It was considered belittling—oh! very bad! It was considered that for a girl to go into a cotton factory was just a step toward the most vulgar things. They used to talk about the girls working in mills up-country as if they were in places of grossest immorality. It was said to be the same as a bawdy house; to let a girl go into a cotton factory was to make a prostitute of her."

"How was it," he was asked, "that this was not understood by you gentlemen in launching the Charleston Manufacturing Company; that the women of the laboring class in Charleston would not go into the mill?"

The reply was undoubtedly the plain fact. "It never occurred to us," he said. "We canvassed the matter among ourselves."[70]

"Our idea in starting the Charleston Manufacturing Company," said another of the original stockholders, "was that there were many people here who wanted work, needed

[70] William M. Bird, int., Charleston.

it. We found out they did not want it. They were ashamed to work in a factory. We thought it was going to help the town immensely. We found just the reverse. Instead of people flocking here, we had to take discarded labor from other mills and bring it here. We thought we could get enough people in Charleston to fill the mill, but we found the number here willing to work was very small."[71]

Local help failing, there was difficulty in obtaining hands from the up-country. "Some operatives from the Piedmont objected to coming to Charleston in the summer time. They had seen many Charlestonians going through the Piedmont region to the mountains for, they said, their health. This unfounded prejudice operated."[72] "Men were getting good pay in fertilizer works, on the wharves and in

[71] W. P. Carrington, int., Charleston. Another said: "Young women looked upon factory work as lowering, and thought it was dangerous for young men and young women to work together as they must do. I thought this myself until I saw them working in factories at the North; every girl would have two hundred or three hundred jealous girl eyes watching her; they were safer than in their own homes" (it is useful to remember that country people going to a country mill village found themselves surrounded by persons all in the same situation—there was nothing but the industrial community. In a city, however, even if the factory has its own cottages, operatives might feel censure of a non-industrial population. Furthermore, among city dwellers, however poor, women and girls were less accustomed to work than was true in the country, and would be more regardful of fancied social distinctions). The Charleston Manufacturing Company encountered trouble in recruiting labor that an older and smaller venture in the place did not, partly because it had been so much discussed and stood out in the public mind, impressed with a declaratively industrial character. "The Charleston Bagging Manufacturing Company," this informant continued, "making bagging from jute, used native labor, a hundred operatives or so. The bagging mill had been successful with female labor, and this encouraged us in our company." But the event as it transpired was not a complete surprise: "Still we understood that Charleston having had almost no factories, there would be prejudice against females working. But we thought this would wear off. We did not expect to get our labor force from Charleston at first. We thought the native labor would sift in gradually, and this proved to be true. Lockwood (the New England engineer who designed the mill) told truly when he explained that the first expert operatives to come to a new place were floating, and that it would require two or three years to get a steady, experienced force. In our impatience we looked upon the natural slowness in getting operatives, particularly women, as a terrible delay" (A. B. Murray, int., Charleston).

[72] Ibid.

industries," said another, "and women did not need to work. There was not the press of life there was in a colder climate."[73]

This story of trials seemed to be coming to a bright conclusion: "We brought the expert labor from the Piedmont, and the native population sifted in later, and took hold very nicely." But it was only passing into its final phase: "The two or three years following 1880 were bad ones for cotton mills. On August 31, 1886, the end of the company's fiscal year, the mill showed a small net profit. On the night of that day, the earthquake occurred. The railroads gave free transportation, and our operatives that had come from the up-country left. You couldn't have held them here with chains. Even the local operatives went away with the up-country operatives. We had a good working force at the time of the earthquake—after the earthquake, the only thing left was overhead charges. The officers were here, but the operatives had all disappeared." The prospects of this mill were never really promising afterwards.[74]

Until very recent years, any class consciousness among Southern cotton mill operatives was induced by the prejudice of the general community against them. The mill village, especially the company-owned town, has crystallized this sentiment, and politics and the lack of any other considerable industry in the South have made their unfortunate contributions. Dislike of the operatives' station is

[73] George W. Williams, int., Charleston. He meant this to apply to the Charleston Manufacturing Company and to a successor, the Vesta Mill. "We were great phosphate people down here, and the laborers were distracted. But the leaders stuck to it [the enterprise of a big mill in Charleston]. We went through three organizations" (F. Q. O'Neill, int., Charleston, S. C., Dec. 27, 1916).

[74] A. B. Murray, int., Charleston. "The ground was in a tremor for several years after the earthquake. It took two years to reorganize the plant. We had to send to the up-country for skilled operatives." And another concluded: "We thought that if a mill could pay in the up-country, it would pay to build a mill in a large center like Charleston. The labor trouble was the chief reason for the failure." He felt that had the attempt been made fifteen years later, after 10-cent stores and dry goods stores had begun to employ women, the mill might have succeeded (William M. Bird, int., Charleston).

undoubtedly greater at present than in the years when the mills were building. A just statement of the facts as they prevailed forty years ago is the following: "There was some prejudice against operatives on the part of others, but it did not show itself. So far as speaking to them cordially, etc., was concerned, they were received."[75] It has been said that mill managements in the eighties showed none of the spirit of neglect of the poor whites that had characterized the period before the Civil War, and this attitude was not persuaded merely by business motives. It is probable that no great development could have taken place, calling for enlistment of the service of thousands in the population, without some objection against workers in the new industry becoming evident. But in the case of the cotton mill operatives this was at a minimum. The South was too much in earnest in its work to question the social status of those who were factors in its accomplishment; work was too scarce to permit of a choice influenced by popular dislike or esteem; the South of the eighties was twenty years removed in time and many more years removed in experience from the older South of an idle class; and last, the poor whites by entering the mills tended to throw off the atmosphere of unnoticed destitution in which they had been enveloped before they had been given a useful outlet for their services. If their situation was not envied by some, by the majority it was not despised; if they were looked upon as a class with disfavor, this was not on the surface, and nobody had time to bother with such notions.[76]

A part of the prejudice against operatives, if it may be

[75] Charles McDonald, int., Charlotte. "Many of those who became operatives had owned their own land, and when misfortune overtook them, in the shape of bad crops and debt, came to the cotton mills" (M. L. Bonham, int., Anderson).

[76] The usual sentiment is illustrated by some words of Hammett: "It is clear that what the South needs more than anything else is diversified labor, and to realize that to labor is respectable, and to be idle is not respectable. With all the unemployed water power and other natural facilities one of the main industries should be to convert into goods a part of the cotton produced by the soil" (quoted in Manufacturers' Record, Baltimore, Feb. 1, 1881).

called such, perhaps took rise in objection to mills on the part of rural communities. This was a different thing from the social discrimination spoken of above. It was a conflict between occupations, not between elements in the population. "Right at first," said one informant, "there was a good deal of opposition to the mills on the part of farmers, and this made labor hard to get."[77] Another asserted: "Our white people were accustomed to be their own masters. They had not lived in great groups or worked under bosses and that kind of thing." He remembered that this hindered the recruiting of local hands.[78]

In the same issue of a South Carolina newspaper saying that "Cedar Creek . . . affords ample water power at this point [Society Hill] for a factory," and that "there is plenty of labor," it was told that the management of the Camperdown Mills, at Greenville, was finding it impossible to get two hundred and fifty extra hands needed to run the plant at night. This was due, it was explained, to the presence of disorderly women in the neighborhood, who were proposed to be used as operatives, and who could not be got rid of. Circulars were distributed all along the line of the Atlanta and Charlotte Railroad, and in other directions. The mill offered free transportation and a dollar a day for all time lost by prospective operatives, but, after an expenditure of $500, no more workers were in the factory, and it was regretted that the mills were "receiving a large accumulation of orders it will be impossible for them to fill."[79]

The scarcity of labor which was experienced twenty-five years later was of an entirely different character from the

[77] Marshall Orr, int., Anderson, S. C., Sept. 10, 1916.

[78] M. L. Bonham, int., Anderson.

[79] News and Courier, Charleston, Feb. 23, 1881. Without mention of the reason for it, this fact of scarcity of help for the Camperdown Mills was recalled to Mrs. Gridley, who confirmed the report of years before: "If Camperdown sought in vain to get 250 operatives in the early eighties, it must have been because the mill had a rough class of help. The bad reputation the labor force earned kept away the mountain people the mill was trying to attract" (Mrs. M. P. Gridley, int., Greenville).

scattered instances here noted. After 1900 it became a problem of more or less general concern; many mills had been built, some of them very large, and the condition of the body of the poor whites was somewhat better than in the earlier period, not a little by agency of the cotton manufacturing industry itself. In spite of a degree of optimism, difficulty was presaged in an address before the Southern Cotton Spinners Association in 1903: "Now in regard to an insufficient supply of native-born help. This may be true in localities, but it has been the experience of all manufacturing centres that the building of the mills has eventually drawn, in close proximity, people from the country and outlying districts, and it is not worth while to consider this matter as fatal to the future increase of spindleage here." The speaker thought that "even when our native country help is exhausted . . . if it be true that cotton manufacturing may decline in our sister countries, there will be opportunities for skilled employes from those countries to be obtained. We should not cross this bridge until we come to it."[80]

It has been said that the projectors of cotton mills in the South not only welcomed the native whites as workpeople,

[80] Proceedings 7th Annual Convention, address of E. W. Thomas, p. 149 ff. Tompkins in 1900 had foreseen that the objection to night work would take care of itself, for "as mills increase labor will become scarcer until there will be no available labor for night work" (Labor Legislation, p. 4). In 1904 a Georgian speaking to Georgians said: "Why one section—a comparatively old one—is short of labor, is not my province to discuss. It is simply a question and no theory that we have confronting us." He thought that immigration agents ought to draw workers from Italy, in about the same geographical latitude with Georgia, to fill the domestic "vacuum of labor," and wanted Georgia represented at the St. Louis World's Fair by a solicitor who would operate in conjunction with real estate firms and the railroads in bringing home-seekers to the State (Georgia Industrial Assn., proceed. 4th Annual Convention, address of Hon. I. C. Wade, p. 34 ff.). The convention appointed a committee "to urge the establishment of a Department of Immigration by the State of Georgia" (proceed., p. 33). In 1907 Mr. Kohn wrote that "there is plenty of capital, energy, enthusiasm, business ability, water power and cotton for South Carolina to have very many more spindles than she now has. The one difficulty is that of securing additional labor" (Cotton Mills of S. C., p. 60). Cf. ibid., p. 63, and T. W. Uttley, p. 68.

but planned factories in many instances partly with the express purpose of affording them employment. There were some cases, however, in which the possibility of employing the poor whites was curiously overlooked, and operatives were sought or proposed to be sought outside of the South. It cannot be said for this strange neglect of the obvious opportunity of utilizing the Southern population that the poor whites were "out of sight, out of mind." They were very much in evidence everywhere, were mutely appealing for assistance and notice; even asking, if one pleases, to be exploited. The disposition to seek operatives outside of the South, so far as it showed itself, was fostered by three circumstances: first, the feeling that experienced workers must be found to start the industry; second, the desire to weaken the negro by increasing the white population; third, new and prospective cotton manufacturers fell in easily with the prevalent plans of agricultural interests to secure immigration to the section.

How earnestly Senator James, of Rhode Island, plead for the establishment of cotton mills by Southern planters, and how he urged that the needy native white people be employed in the factories, has been noticed. Eager, however, to leave no stone unturned in proving the plausibility of his proposal and in answering especially the question as to how help was to be gotten, he declared that "Even should the planter, who goes into the manufacture of cotton, find it necessary to import his operatives from Europe at his own expense, he would still be a great gainer by the transaction." He showed how, by saving one cent per pound on raw cotton—the cost of transporting the staple to a Northern mill—the Southern manufacturer would be able to defray the charges of bringing over English operatives, and have a considerable surplus to his credit.[81] This suggestion seems to have been tried in practice, for it is said that a superintendent of the Augusta Factory, probably in the seventies, brought a boatload of operatives from Scotland.

[81] Cf. DeBow, vol. i, p. 238 ff.

The mills of Augusta still have English and Scotch people in them, likely descendants of these immigrants.[82] Foreign-born operatives transplanted to Augusta supplied many of the mills throughout the South, particularly in the Carolinas, with skilled superintendents and overseers.

A writer at the close of the Civil War would have been right in including the whole South in an observation made as to Charleston, that it wished immigrants from Europe rather than newcomers from the North. "Immigration is held to be the panacea for all present evils and troubles. One of the representatives elect from this city will make strong efforts to secure legislative action at the coming session of the General Assembly in favor of a bill granting State aid to foreign immigrants. The Yankee is not wanted here, except by the enlightened few; but Germans who will consent to take a secondary position will be welcomed."[83]

The extraordinary scheme of "The Region of the Savannah Colonization Association" for bringing New England operatives to cotton mills in the South is worth mention because, with its preposterousness, it shows the thought in the minds of some. It was set forth in 1882, and never got beyond the stage of advocacy. It was a promoters' plan for combining a pastime for rich men of leisure with a health resort and an industrial community. An agency of the Association explained that the Region of the Savannah (the entire States, apparently, of Georgia and South Carolina), offered in its piney woods and mild and dry climate the only relief from pulmonary diseases. New England cotton mill operatives who, left in Northern factories, were destined to lose their ability to work or would even die, might come to this salubrious district and regain their health by coupling farm work with factory attendance. In New

[82] George T. Lynch, int., Augusta, Ga., Dec. 30, 1916. Compare the proposal of "Hanover" that English operatives be brought to Richmond (Daily Dispatch, Jan. 14, 1880).

[83] "'The only way in which we can control the labor of the free negro is to bring him in competition with the white laborer,' is the language of scores of men." By "the white laborer" the native white was not meant (Andrews, pp. 207–208).

England were found, besides the broken-down mill hands, retired business and professional men of means, for whom the Northern climate from December to May was too severe for comfort. It was proposed that some of these wealthy invalids should buy a few thousands of acres in the Region of the Savannah, build forty or fifty neat but inexpensive houses on the tract, and rent those not occupied by themselves (they would be there to give character to the project), to sick New England operatives, and to pleasure-seekers wishing a wintering place in the South. "This would give a nucleus for a permanent settlement, and in a very short time an industrial community would grow up about it." A correspondent of the Savannah Morning News was quoted approvingly, this writer proposing that each family might have a forty-acre farm and divide its labor between agriculture and a cotton mill which would be centrally situated. It was asserted by the projectors of this scheme that it would make a return of 100 per cent on the capital invested.[84]

[84] Gannon, p. 8 ff. "The Region of the Savannah Colonization Association" was built on the constitution of the defunct American Colonizing Company, founded in 1818, for the furtherance of trade, it was declared, between the South Atlantic States and the West Indies, the west coast of Africa and the Brazils, the principal American depot being at Charleston, Port Royal or Savannah; the building of small cotton mills, to be operated by a transplanted New England industrial population, would be linked with the construction of small ships to carry the product of these factories. Another inspiration to the project was President Grevy's system of cooperation; the success of the young Meaux workman who in one year built 250 houses on a tract of land of an old marquis and started his colony at a cost of 240,000 francs with considerable profit to his fellow-enterprisers—he began with only ten 5-franc pieces of his own—was instanced. The aims of the Savannah Association were to be accomplished largely through dissemination of information. The pamphlet was published as propaganda by Gannon and Mayhew, 176 Tremont Street, Boston, who were general agents for the organization. The Southern Land, Emigration and Improvement Company, a New York organization designed to encourage immigration to the South, said in its prospectus: "That the South now offers greater inducements to capital, enterprise and intelligent industry than any other quarter of the globe, is beyond question to those who are informed upon the subject. . . . The Southern people themselves are thoroughly awakened at last to the fact of the abundance of their resources. They are putting forth every energy to secure their share of the overflowing tides of population from the old

A journal which championed the South's interests, lamenting the failure of immigrants to go to that section, declared that "if the South is to be built up, her unoccupied lands turned to the uses of civilization, her streams become the seats of great manufacturing enterprises, and all her natural advantages made to bear material development, there must be a systematic effort to induce immigration. Railroads, States, private individuals, are all alike interested in this; and it behooves all to work persistently to accomplish it."[85]

It seems likely that immigrants, especially where foreigners, were not often sought by the South for industrial workers. Agricultural interests were uppermost in the minds of the people, and schemes to supplant the free negro were, for the time being, as natural as they were impracticable.[86]

Even where immigrants had been in mechanical pursuits in their own countries, their usefulness in industry might be overlooked.[87]

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world . . ." (quoted in Baltimore Journal of Commerce and Manufacturers' Record, Aug. 5, 1882). The alliance of the South Carolina Railroad with the Georgia Railroad and the Central Railway was looked upon as bringing to Charleston "increased business, direct trade with Europe and white immigration" (News and Courier, Charleston, April 14, 1881).

[85] Baltimore Journal of Commerce and Manufacturers' Record, June 24, 1882.

[86] An editorial on the benefits of immigration to South Carolina placed the whole stress upon agriculture. Nothing was said about using immigrants in cotton mills, though Charleston's advantage in being able to get them from German ports at two-thirds of the charge if taken to New York, was mentioned (News and Courier, Charleston, May 20, 1881). A week later the same paper commended the commissioner of immigration for steering foreigners away from "towns or cities where they would be a burden to themselves and those around them" (June 17, 1881). A like omission of cotton manufacturing in stating the reasons for immigration is seen in an address of the Georgia Commissioner of Land and Immigration to the State legislature (quoted in ibid., Aug. 5, 1881). Cf. editorial in Observer, Raleigh, April 10, 1881.

[87] Sixteen families—Poles, Germans and Austrians—in 1881 passed through Charleston on their way to Columbia. "They have no property, and are uncertain of their final destination. They are generally mechanics, but claim to know something about farming, and are willing to do anything to make a good and honest living."

In conclusion of these references to advocacy of immigration as apart from the needs of cotton mills, it is interesting to notice a jeu d'esprit of "Henry LeBlank," written under date of July 13, 1893, twelve years in the future, predicting failure of plans for European immigration to South Carolina, the foreigners being unsuited to the climate, crops and mode of living, and adding in a postscript: "It would do you good to see the immense number of factories at Columbia, down by what was an old ditch, but now a splendid canal. Spartanburg has over 30,000 population, and seven railroads centre there."[88]

Instances in which immigrants were looked for as cotton mill operatives show the newness of the South to industrialism, the suddenness with which an urgent program was embraced. How foreign manufacturing was to the South's past, how novel a departure it represented in the minds of mill projectors, comes out in the rare cases in which native whites were not considered as operatives; such an opportunity might not even be debated, but it was thought that new wine was to be put into new wineskins. Thus in advocating the building of a mill near Winnsboro, South Carolina, in a county in which poor whites were plentiful, these were overlooked as industrial workers and, for that matter, as agricultural laborers. "If we can do no better let us spin a hundred bales at first. . . . We believe

There was no mention of directing them toward cotton mills (News and Courier, Charleston, May 10, 1881). Relatively few immigrants actually came—seventy-four persons colonized in South Carolina in a typical week—and most of them were placed with farmers (see ibid., March 23 and July 1, 1881). Despite every demonstration of failure, projects for bringing in foreigners to become cotton farmers would not die. As late as 1908 Tompkins declared: "Every condition in the cotton growing States is favorable for the European farmer who wants to emigrate. . . . Such a movement would go further than any other to insure a cotton supply adequate to the world's demand and at a reasonable price" (Cotton Growing, p. 7). And earlier he had urged that "the New England Cotton Manufacturers' Association turn itself into an emigration society pro tem. for the purpose of securing the occupation of the Southern cotton land" (The Storing and Marketing of Cotton, reprint from Transactions of New England Cotton Manufacturers' Assn., vol. 77, p. 19 ff.).

[88] News and Courier, Charleston, June 15, 1881.

there is money enough in the county, here and there, to make at least a modest beginning, so as to attract outside capital. Shall the effort be made, or shall other counties, once far behind us in wealth, take the lead and rapidly outstrip us? We want white immigrants. Bring the mills here and they will come. Colored labor will raise the cotton, and white immigrants will convert it into yarn."[89] A newspaper in another community concluded that the freed negroes had done little to better their condition and had, moreover, kept away skilled immigrants; ". . . remove at least half the negro labor from the State, then it [skilled immigrant labor] will come, and with it capital which will seek investment in our manufacturing interests, and at once put us on the highway to wealth, power and happiness."[90]

Another editor, in contrast to these less thoughtful contemporaries, expressed sanely the better judgment in opposing wholesale immigration on the ground that there were needy people in the South to be thought for first, and because the section was in no position to invite new-comers to share in her uncertain lot: "We have many worthy native people of the more indigent classes who must be provided for in some way before we talk of hurrying those here who, at the best, may take the bread out of the mouths of our own people. We are by no means opposed to legitimate immigration, but we are very far indeed from seeing the good sense of bringing upon ourselves or our unhappy visitors the cruel lot of being thrown into Southern com-

[89] Winnsboro News, quoted in News and Courier, Charleston, Feb. 8, 1881.

[90] Pickens Sentinel, quoted in News and Courier, Charleston, Feb. 3, 1881. An opportunity of securing skilled textile operatives among immigrants from Alsace-Lorraine was evidently received gladly. J. H. Diss DeBar, of New York, directing a movement to bring over foreigners, had written to the president of the Atlanta Factory, for facts as to the employment of any immigrants that might be sent down. Other Georgia mills were urged to communicate with this agent with information as to wages, rent and other conditions affecting work in the manufactories (Daily Constitution, Atlanta, March 24, 1880).

munities without bread and without any hope of employment."[91]

The futility of attempts to attract immigrants began to be seen in South Carolina early in the eighties, a newspaper declaring "We hope the State will abolish the office of superintendent of immigration. It is . . . a worse than useless expense."[92] Twenty-five years later, following

[91] Columbia Register, quoted in News and Courier, Charleston, Feb. 3, 1881. One long acquainted with the State's politics believed the motive of supplying cotton mill operatives was not important, that "back of the efforts of South Carolina, through Commissioner Boykin's office, to secure immigration, was the desire to get rid of the negro and to bring in whites to take his place." When Boykin left office, another commissioner was appointed. "Then there were some years when there was no commissioner of agriculture or immigration. It was largely a matter of politics" (M. L. Bonham, int., Anderson). As to the purpose to oust the negro, the comment of a German-language newspaper is indicative, especially since Germans were particularly sought: "Col. Boykin, the immigration commissioner, has returned from New York, and reports that he is able to get in Castle Garden as many immigrants for South Carolina as are wanted. He seems to be intent chiefly upon getting laborers who are able to take the place of the negroes" (Deutsche Zeitung, Charleston, April 25, 1881). Cf. Daily Constitution, Atlanta, Jan. 31, 1880. With the negro question in mind, Henry W. Grady said: "Companies of immigrants sent down from the sturdy settlers at the North will solve the Southern problem . . ." (Dyer, in New South, p. 139). Cf. State of S. C., Fourth Annual Report of Commissioner of Agriculture, Commerce and Immigration, p. 4, and preceding reports; DeBow, vol. ii, p. 127. Frequently immigration to the South from other parts of this country was in mind; cf. DeBow, ibid., and quotation from United States Economist, in Baltimore Journal of Commerce and Manufacturers' Record, Sept. 30, 1882.

[92] Abbeville Press and Banner, quoted in News and Courier, Charleston, Nov. 25, 1881. Cf. State of S. C., ibid., p. 32. A pamphlet issued by the immigration commissioner was attacked as sophomoric, unfair in claiming too much, and generally "a disgrace to the State" (News and Courier, ibid.). In 1894 the editor of a publication that had done much to encourage immigration admitted that the South had been "in no condition to invite immigration. . . . All efforts to attract settlers to this section could only prove futile. The time was not ripe" (Edmonds, p. 29 ff.). The most famous effort to recruit foreign immigrants as operatives for Southern mills was the episode of the *Wittekind*, which, even without hindrance from the federal authorities, was so unsuccessful that it would hardly have been followed up. South Carolina planters were interested in securing farm hands by the venture, and combined with manufacturers in a fund which was utilized through the State immigration commissioner. The North German Lloyd steamer *Wittekind*, in two trips to Charleston, in November, 1906, and February, 1907, brought a few hundred passengers, principally Belgians, Austrians

South Carolina's unsuccessful effort at importing immigrants, the Georgia Farmers' Union "unanimously voted against foreign immigration, because it would bring undesirable people who would compete with the Georgians for factory labor and would raise so much cotton that it would lower the price."[93] This is a far cry from the disposition remarked in a few of the early mill projectors to overlook the opportunity, not to mention duty, to employ the native whites in the textile industry.

The Southern mills have almost no foreigners. Just occasionally a few trickle in by chance. "Once in a while," said a superintendent, "we have a spasm of French Canadians and Poles. They are not imported, nobody goes after them. They don't stay very long, and come only two or three families together."[94]

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and Galicians. It is likely that disappointment of disingenuous prospective employers at frustration of their plans by the central government has colored judgment of the results of the experiment, but it appears all in all that the new-comers were not so well content as to form a satisfied nucleus which would automatically attract relatives in succeeding years. Mr. Gadsden, a representative of South Carolina business men, who investigated the matter in Europe, wisely reported: "Our efforts have been almost entirely expended in inducing immigrants to come to the South, and we have thought little or nothing of how the immigrant is to be treated after the immigrant has come in our midst; . . . we have entirely overlooked our industrial conditions, namely, that the wage scale throughout the South is based on negro labor . . . our attitude throughout the South toward the white labor will have to be materially altered before we can expect to have the immigrant satisfied to remain as a laborer with us" (quoted in Hart, pp. 52–53). On the whole matter see State of S. C., ibid.; a good deal of reading between the lines is necessary. Cf. also Goldsmith, p. 10, and Kohn, Cotton Mills of S. C., p. 24. The action of South Carolina was preceded by agitation in manufacturers' associations in other Southern States looking toward immigration. A speaker before the Georgia Industrial Association in 1901 asserted: "There is room in Georgia for several hundred thousand competent white foreigners." Three years later it was being urged that practical steps be taken (Proceed. Fourth Annual Convention, p. 13 ff.).

[93] Hart, p. 54. A "Southern writer" was quoted as saying that "The temptation of cheap alien labor from abroad is obvious as one of the ways in which a home population may be dispossessed. When it ceases to fill the rank and file with its own sons . . . it ceases to be master . . . of the country" (ibid., p. 55).

[94] George T. Lynch, int., Augusta. Cf. Thompson, p. 30, and Kohn, Cotton Mills of S. C., p. 24.

It has been seen that despite shortage of operatives in peculiar individual instances and ill-advised efforts to attract immigrants to compensate for an actual or anticipated scarcity of immediately available labor, the rule at the opening of the cotton mill era was an abundance of local help. The mere erection of a factory was sufficient inducement to the gathering of a working force. The problem was rather to secure the plant than the operatives. This condition lasted for about twenty years. "Labor for the early factories came from the localities—90 per cent of it. But after 1900, when there was a madness of mill building, they began to pull labor from a distance of 250 miles. Whereas people had before straggled in at will, the mills now commenced concentrated efforts to get them out of the mountains."[95] In the active years preceding the panic of 1907 this practice became more frequent. A superintendent in the up-country gave his experience: "The first labor for the Spartan Mills came from the surrounding country, and was supplemented soon by people from the mountains of North Carolina and Tennessee. In 1905–6 and 1906–7 there was a scarcity of labor. Spartanburg mills sent agents into the mountains to bring out help, the mill advancing railway fares of operatives. In this way from 1905 to 1907, 171 families were brought to this mill."[96] The advantage of the cotton mill village as contrasted with the mountain farm, which had earlier been too patent to require statement, began to be carefully explained in dodgers distributed through highland districts, or were set forth

[95] H. R. Buist, int., Charleston.

[96] W. J. Britton, int., Spartanburg. He was much disappointed in the results of the soliciting system, and said that of the 171 families brought to the mill village, only 10 remained. "I would rather have half a dozen families that paid their own way to the mill than fifty families brought here." Commenting on the necessity of scouting for labor, Mr. Copeland declares "The growth of the industry has taken away the advantage which was its chief asset." In the period referred to employers bid against each other for help, so that wages were raised nearly one-fourth. Almost all the mills were reported to be short of their full complement of operatives; "for the time being the South had built more mills than it had labor to operate" (p. 46 ff.).

by satisfied operatives taken along by agents as bait.[97] Exhaustion of the readily available supply of poor whites is further indicated in efforts since the Great War to attract workers from the eastern sections, which lowland tenants, in their full knowledge of the needs and opportunities of the mills, had already been constructively solicited, and in the building of mills actually in the mountain districts.[98]

It has been seen how slavery was largely responsible for crushing the early manufactures which arose in the South and prevented recovery of industries in the section. At first blush it seems strange that negroes, in the period before the Civil War in which manufactures were at lowest ebb, should have been employed in cotton mills. It might be objected that slavery, so far from being an enemy to the textile industry, assisted such factories as were in operation.

The point, however, is easily cleared up when it is remembered that the old mills were generally very small, scattered, unstandardized, and made the rudest products, and when it is considered that managers of factories, many of them planters, might naturally use slaves whom they owned or could hire cheaply rather than whites who were less dependent and who must be better paid and differently treated. There was less difficulty in adapting slaves to the work of the ante-bellum cotton mills than in employing free negroes in later years, because processes were more elementary and because many slaves, especially women and girls, had been taught something of the textile art in domestic industry on the plantations. Thus the finding of negroes in mills which anticipated the real development of cotton manufactures in the South is to be considered rather a proof of the depressing effect of slavery upon the industry than as supporting a contrary argument.

It may be believed that most of those who before the War advocated the use of negroes in cotton mills held no very hopeful or plausible economic philosophy. If they really

[97] Cf. Kohn, Cotton Mills of S. C., p. 23, and John C. Campbell, From Mountain Cabin to Cotton Mill, especially p. 5.

[98] S. N. Boyce and J. Lee Robinson, int., Gastonia.

understood the situation, the proposal to employ slaves must have been acknowledged as a makeshift; if they did not, it was none the less a fanciful dream. In most cases there must have been no further thought behind the use of negroes than that it was convenient, cheap and sufficient for the limited project in hand.

Certainly William Gregg made a sound diagnosis of the South's ailments, and showed more foresight in economic matters, it may be thought, than any other Southerner of his day. Some surprise, therefore, may attach to the statement that he advocated the operation of cotton mills with negro labor. The explanation lies in two facts: first, though he had visited the Pennsylvania and New England factories, there was nothing in the South to compare with them, and it would have taken an imagination and faith superior even to his to transcend the numbing effect of his dominantly agricultural surroundings and reach beyond them to visualize the necessary conditions of industry as afterwards proved in history; and second, seeing the great difficulties in the way of his proposals, statesmanship prompted him to utilize any means that offered to make a beginning.

There is something pathetic in the tone of his appeal, born almost of exasperation:

> Surely there is nothing in cotton spinning that can poison the atmosphere of South-Carolina. Why not spin as well as plant cotton? The same hand that attends a gin may work a carding machine. The girl who is capable of making thread, on a country spinning wheel, may do the same with equal facility, on the *throstle frame*. The woman who can warp the thread and weave it, on a common loom, may soon be taught to do the same, on a *power loom;* and so with all the departments, from the raw cotton to the cloth, experience has proved that any child, white or black, of ordinary capacity, may be taught, in a few weeks, to be expert in any part of a cotton factory; moreover, all overseers who have experience in the matter, give a decided preference to blacks as operatives.[99]

[99] Domestic Industry, p. 21. He had not only the sight of Southern mills of his time operating with negroes, but he relied upon the judgment of a well-known authority who understood the English and the American industry, quoting James Montgomery to the effect that "If the experiment of slave labor succeed in factories as is confidently expected, the cost of manufacturing the cotton into cloth

The Saluda Factory, near Columbia, was reported in the early fifties to be operating successfully with slave labor, the negroes being mostly owned by the company. The enterprise was of $100,000 capital, and employed 128 operatives, including children; there were 5000 spindles and 120 looms, the product being heavy brown shirting and Southern stripe. "The superintendent is decidedly of the opinion that slave labor is cheaper for cotton manufacture than free white labor. The average cost per annum of those employed in this mill, he says, does not exceed $75. Slaves not sufficiently strong to work in the cotton fields can attend to the looms and spindles in the cotton mills. . . ." The average cost of a white operative per year was said to be $116, so that those using slaves, it was claimed, enjoyed "over thirty per cent saved in the cost of labor alone."[100]

will be much less there [in the South] than anywhere else, so that it will not be surprising if in the course of a few years, those Southern factories should manufacture coarse cotton goods, and sell them in the public markets, at one-half the price, at which they are manufactured in England. There are several cotton factories in Tennessee operated entirely by *slave* labor, there not being a white man in the mill but the superintendent . . ." (ibid.). Montgomery instanced other cases of actual or intended use of negro labor at Richmond and Petersburg, and went so far as to say "there is every reason to believe that it is better adapted to the manufactory than to the field, and that the negro character is susceptible of a high degree of manufacturing cultivation. . . . This kind of labor will be much cheaper, and far more certain and controllable. The manufacturer will have nothing to do with strikes, or other interruptions that frequently produce serious delay and loss to the employer" (A Practical Detail of the Cotton Manufacture of the United States of America (1840), p. 192). He estimated the total expense for the services of the best negro workmen for a whole year at $170, females and young men being cheaper. Gregg's quotation from Montgomery is not quite accurate, though perfectly exact in spirit. Further extenuation is brought to Gregg in the statement of Mr. Kohn that "The history of the early efforts of the industry in this State indicate that slave labor was very largely used" (Cotton Mills of S. C., p. 24). Buckingham, writing three years before Gregg, implied that it would be the natural thing to use negroes at least equally with whites (Slave States of America, vol. i, p. 171). The Rocky Mount Mill, in North Carolina, employed negroes from 1820 to 1851 on the coarser yarns, most of the product going to country merchants near the factory, but some to the Philadelphia market. In 1849 negroes were the only operatives (Thompson, pp. 250–251).

[100] The health of the blacks in the mill was said to be better than that of whites in the same occupations (quoted from New York

DeBow approved the recommendation of a Tennesseean that slave labor be applied to the manufacture of cotton and wool throughout the South, "such labor having been found most advantageous wherever adopted."[101] It may

Herald, in DeBow, vol. ii, p. 127, note). Another observer said that the experienced white overseers from the North, at first prejudiced against the slave labor, testified to its equal efficiency and even superiority in many respects as compared with white. The negroes were tested out at spinning, but later learned to weave, and turned out full quantity of cloth. "The resources of the South are great, and it should be gratifying to all who view these facts, with the eye of a statesman and philanthropist, that the sources of profitable employment and support to our rapidly-increasing African labor are illimitable, and must remove all motives for emigration to other countries" (ibid., vol. i, p. 232). In 1847 the plant was declared to have done a "fine business" for three years previous (Columbia Telegraph, quoted in Kohn, Cotton Mills of S. C., p. 18). Other reports of this mill do not paint so bright a picture. The son of a man who relinquished the superintendency in 1838 said the mill was owned by slaveholders who chose to use some of their negroes in this way—they were planters first and manufacturers second. The negro labor was not successful (Charles McDonald, int., Charlotte). One manager of the mill was reported as saying that slave labor failed there because of the malarial condition of the neighborhood and because the negroes' fingers were clumsy (William Banks, int., Columbia). Mr. Kohn states that the factory was operated largely by slave labor until the close of the Civil War, when whites were installed, and quotes Hammond's Handbook to the effect that 90 slaves in charge of a white overseer were "capable of learning within reasonable limits" (Cotton Mills of S. C., p. 16). This factory, perhaps the best known of those employing negro operatives, is said to have been burned by Federal troops entering Columbia. The ruins, across the river, about three miles above the city, are still to be seen, flanked by a grove on a small plateau overlooking the stream. The foundations and maybe one or two stories were of stone. The race, now empty of water, is stone-lined and deep, and huge wooden beams and parts of the rude shafting remain in the wheel-pit. The dam flung across the river seems still in tolerable condition, though the sluice is widened by years of neglect. Mr. Kohn says the establishment was hampered by lack of capital, and quotes Gregg to the effect that the capitalization of the plant was not more than sufficient to pay for the expensive dam (Cotton Mills of S. C., p. 17). Except in the weaving department, blacks were employed in the DeKalb factory in South Carolina for several years, thirty belonging to the company, which thought they compared favorably with white operatives. Wages of negroes were 18¾ cents a day and board; whites who succeeded them, exclusive of the weavers, were given from 13 to 36 cents a day. References to wages in old mills in Georgia and Alabama seem to indicate that there must have been some negro employes (Ingle, pp. 75–76). Cf. Kohn, ibid., p. 16.

[101] Industrial Resources, vol. ii, p. 124.

be concluded that slave operatives in ante-bellum mills were common. The attempt of Alexander and Haskell, both perfectly familiar with the negro and the economic conditions prevailing in South Carolina at that time, to employ blacks in the Congaree Mill, the first erected in Columbia after the war, must indicate that they were repeating a familiar practice.[102] It will be seen presently that the rare later efforts to use negroes were considered experimental and watched with doubt by outsiders.

It must be observed that, partly as a suggestion from prewar usages, partly as an evidence of disposition sometimes shown to overlook the labor supply so naturally found in the poor whites, and partly springing from the speculative frame of mind that prevailed just before the industry took its real rise, the possibility of employing negroes in cotton mills was much in the air in 1880, certainly in South Carolina. The chief source of information, the Blackman Report, contains clear indication of the activity with which the public imagination was working at the time. Few new mills were building; the remoter history of the industry had lapsed for the moment into the background; the new development had not commenced. In contemplating the mills then in operation, there was the feeling that they were not important as types of the past nor as presages of what was to come. That there was to be a new story there was no doubt. Thus in this interval between sterile past and dynamic future, inquiries might be poorly informed and answers afterwards shown to be mistaken—very often the creeping of the chrysalis from the old cocoon was not noticed. But knowledge was being gathered, stock was being taken, resolve was forming to meet the challenge that was rightly guessed to be impending.

The Blackman survey of cotton mills operating in South

[102] William Banks, int., Columbia. The experiment lasted a year or more, but the negroes were found to be poorly adapted to the work; a fire disabled the plant after this trial, and it was converted into a warehouse. Cf. Kohn, Cotton Mills of S. C., p. 24, and Tompkins, Cotton Mill, Commercial Features, pp. 109–110.

Carolina in 1880, made for the News and Courier, while rarely mentioning the finding of negroes in the factories then, often comments upon the exclusive employment of whites.[103] Probably ante-bellum experience was responsible for survival of negro operatives in the Saluda Cotton Factory. Blackman found in this mill a hundred operatives, twenty-five of whom were colored, ranging in age from eight years up. Operatives lived in homes owned by the factory. Asked as to the feasibility of employing negro operatives, the superintendent replied that "at his factory he had worked mixed operatives with great advantage. The negro was as capable of instruction in the business as the white male or female, and could afford to work much cheaper, as they lived so much cheaper. The negro labor he found was easily controlled. . . ."[104]

Blackman in his visits to the mills had a stock question designed to bring out the pros and cons of negro labor. He received answers from which it must have appeared pretty evident that negroes were not destined to play a progressive part in the history of the industry. These discouraging replies were based on disbelief in the suitability of working negroes and whites together, on the inadaptability of negroes to the employment, and on the plentifulness of whites offering for service in the mills. One of the owners of a large factory said negroes were not apt enough to learn the business properly, whites would not work in the same room with negroes, and as most of the work was paid for by the piece, the labor if mixed must necessarily give unsatisfactory results.[105]

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[103] Thus of Glendale: "The factory employs 120 operatives, all of whom are white" (p. 10). Cf. as to Langley, p. 7, and Red Bank, p. 8.

[104] Ibid., p. 9.

[105] Ibid., p. 10. An officer of a little establishment said: "The whites and blacks will not work together, and we have an abundance of white labor, which is certainly superior to any class of colored labor that we could employ" (ibid., p. 8). Cf. ibid., p. 11. The summary of the report correctly said: "There is . . . considerable diversity of opinion on the subject of labor, but it appears that the preponderance is in favor of white labor, as more dexterous and trustworthy, and we assume that this difference will become more

The failure of a mill at Concord, promoted and managed by a negro and worked by negro operatives, cannot be taken as a strong argument against the feasibility of using the negro in the textile development of the South. This venture was tried under such adverse circumstances as to make it practically without value as an indication one way or the other. The mill was projected in 1896 by Warren Coleman, born in slavery and said to have been the illegitimate son of a prominent North Carolinian. Coleman had made money as a merchant in Concord and had built perhaps as many as a hundred "shacks" which he rented out to negroes; it was supposed that he was worth as much as $50,000. His natural father is reported to have assisted him to get his start in life, and to have advised about the mill project. The idea was that the factory should be a negro undertaking. The colored press commented enthusiastically upon the appeals for subscriptions to stock, $50,000 was raised and the company organized in 1897 with Coleman as secretary and treasurer. The enterprise looking promising, the capital stock was increased to $100,000, some white people in the community subscribing to encourage the effort. Negroes all over the State took the small shares, which could be paid in trifling instalments. But many of the poor negroes who had subscribed could not meet the payments—some of the washerwomen made hardly more in all than their investment obligations amounted to, and many of the artizans who had agreed to work out their subscriptions in assisting with the erection of the plant disappointed the management. It took four years to complete the building, and when the mill was ready for operation, Coleman had had to assume much of the forfeited stock. A white superintendent from Easthampton, Massachusetts, was employed. The factory was handicapped by second-hand English machinery; the yarn market was depressed;

marked as finer classes of goods are more generally made. The difficulty in obtaining operatives is not great. . . ." One superintendent had declared, however, that in his opinion, a mill could be run with negro operatives entirely, directed by skilled whites, at a 40 per cent saving (ibid., pp. 5–6).

other Concord mills were making little profit. The yarn market pulled up, but Coleman's plant failed to pay, and ran only off and on after the first year. Coleman died in 1904 and a few months later the factory was sold under the mortgage. It was said the negroes made clever enough operatives, learning quickly, and the manager at the last attributed the failure to other factors than labor—poor machinery, insufficient capital, unaccustomed administration. Operation of the plant was loose; sometimes the mill would stand idle for hours waiting for cotton or fuel. Some of the operatives would be considered good average workers in any Southern mill, though while white spinners at Concord were receiving ten to twelve and one half cents per side, the negroes could command only five or six cents, making only about $2.50 per week. Being old, the machinery had to be run slowly to give good results; the negro overseers showed favoritism and were harsh in docking operatives. The manager believed that under favorable circumstances, near a city where more intelligent negroes might be gotten, a mill could be run successfully with white overseers and colored operatives.[106]

In an attempt to use negro hands in the old plant of the Charleston Manufacturing Company, the direct management was of the best, capital was sufficient and the machinery was new. But because of peculiar local circumstances attendant upon this experiment, it does not reflect much light upon the apparently satisfactory character of the labor in the Concord mill. Before telling of the Charleston experience, however, it is curious to notice that one of the great pioneers in the cotton mill movement in South Carolina, H. P. Hammett, in 1880, answering questions designed to bring out points in which Charleston as a prospective manufacturing place was interested, predicted success for such a scheme as afterwards proved a failure: "I should think

[106] For the story of this mill I am indebted almost entirely to Mr. Thompson's "From the Cotton Field to the Cotton Mill," amended in minor particulars by an interview with Mr. Charles McDonald at Charlotte.

that a yarn mill in Charleston properly constructed to make coarse yarns alone out of the rejected and cheap cottons that could be bought there might be run to great advantage and profit to the owners. I rather think negroes could be used to do coarse yarn work. I think that they could be trained to make very fair goods. I don't think the labor would be much cheaper than with white operatives. We give our operatives good wages and take care of their morals."[107]

The plant, which for some time had been idle, was bought through the initiative of a successful up-country manufacturer in cooperation with Charleston men who had been interested in the former company. It operated first with white labor and was a failure. After about a year it was determined to try negro operatives. Enthusiasm of much the same sort as had marked the original enterprise, directed now, however, toward the opportunity for negroes instead of poor whites as factory workers, was evinced. But again the projectors relied upon their own *a priori* opinions much more, it may be thought, than upon assurances proceeding from a study of the abilities and willingness of the negroes whom they wanted to employ. They felt so keenly that the plan *ought* to succeed that they did not inquire greatly whether it *would* succeed. "The superintendent of the mill and myself," said one of the stockholders, got the colored preachers and a negro ex-policeman down here at the bank and showed them the opportunity for the colored people if they would go into the mill and make good operatives. They saw it too, and as far as we know did all they could, but they couldn't make efficiency where it wasn't. The negroes lost a great opening."[108]

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[107] Blackman, ibid., p. 17.

[108] George W. Williams, int., Charleston. Another of the investors gave a similar account: "We were assured the colored people would work for low wages, less than whites, and would be faithful, but they turned out to be just the reverse. We had everybody exhorting them, telling them now was their opportunity, and that if the experiment succeeded here, mills all over the South would be open to them. But when a circus would come, they would all troop

The superintendent declared that he had educated 3000 negro operatives to the work and made them competent, but that on any one day he could not get 300 of them in the mill. White operatives were used in the picking and carding rooms, separated, of course, from the negroes up stairs, employment of some whites being necessary to provide enough workers to run the plant.[109] The mill operated for about a year with negro labor, and the unsuccessful venture was discontinued. "We had the best management and fine machinery, and all the money necessary. It was the labor. I am absolutely convinced it was the labor."[110]

The failure at Charleston had the effect on some mill men of confirming their disbelief in negro labor, but with others did not daunt their faith in the theoretical soundness, at least, of the proposal.[111]

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away to it. It was a sight to see them" (W. P. Carrington, int., Charleston). The negroes, shunning "the opportunity of their lives, would go for oysters in the oyster season, and then for strawberries in the strawberry season" (Williams, ibid.).

[109] F. Q. O'Neill, int., Charleston.

[110] Ibid. One of those who had worked hardest to prove negro operatives suitable, said: "If a white man will get 92 per cent out of a machine, a negro will get 76 per cent only and be satisfied" (George W. Williams, int., Charleston). Mr. Thompson thinks one reason for the unsatisfactory issue of the experiment was that the mill as worked by negroes was expected to pay dividends on a capitalization enlarged by installation of new machinery. Mr. Montgomery, chiefly responsible for the enterprise, is reported to have assigned the distractions of the city as cause for the failure (pp. 251–252). A stockholder attributed non-success to malign influence of selling agents of the mill: "The commission house took every means to show the colored labor unprofitable. Those negro women could tie a knot at a spindle as well as white women could." One of those interested in the company still believed the plan of having negro operatives was abandoned too soon, that the mill was on the eve of making money when the machinery was moved to Gainesville, Georgia (William M. Bird, int., Charleston). Cf. Tompkins, Cotton Mill, Commercial Features, pp. 109–110.

[111] The superintendent of a large up-country mill said that the superintendency of the Charleston mill was offered him at the time negro labor was to be installed, and that he promptly declined the position. "The negroes' average of intelligence is so low that you cannot organize them. If you could pick them from all over the State, you might accomplish something, but taking them as they come, you cannot accomplish anything" (W. J. Britton, int., Spartanburg). A mill president of Augusta, speaking of the prevalent belief that cotton cannot be profitably manufactured in a seaport

Evidence gathered at first hand, even after fifteen years, still bears out Mr. Thompson's observation that the mill men of the South have thought of negro labor in a speculative way only, as a remote possibility or necessity. Since Mr. Thompson wrote, however, the South has approached measurably closer, in common conception of manufacturers, to a genuine and widespread shortage of operatives, and has felt this condition in an increase in wages not entirely consequent upon the European war. Steadily the question of employing negroes in the mills has gained a place in the minds of manufacturers. The hope of continuing the favorable labor differential, in spite of child labor legisla-

in the South, gave his reaction in brisk sentences: "I have no sympathy with this view. If you can command the managerial skill, and you can surely get the machinery, you can run a cotton mill in a seaport as well as anywhere else. At once Manchester and New Bedford and Lowell come into your mind—they have all got spinning climates. In the South there is, of course, the labor problem, most of the operatives coming from the up-country. But there are labor troubles in anything. You will have labor troubles in running a shoe factory in New England or in picking prickly apples in the Zulu Islands. So far as I am concerned, if I wanted to operate a mill at the coast, say Charleston, I would employ negroes. I wouldn't work them as those people worked them. I would not pay them half as much as white labor, but just as much. There is no reason why colored labor will not prove profitable." An expert in cotton mill practice said: "A negro can run a ginning outfit as well as a white man, and is tickled to death with it. The great trouble with negro labor for cotton mills is poor adaptability to organization. If I was going to run a mill with negroes, I would want to be right on the ground and study them, and not follow the experiment of trying to run the mill in Charleston with the president living in Spartanburg. I don't see why colored operatives cannot be used in cheap mills" (J. H. M. Beatty, int., Columbia, Jan. 3, 1917). A superintendent eminently practical declared: "The only trouble with negro labor is the mixing of the races. If a mill could be run exclusively with negro operatives, there would be no difficulty. Why, we have negro bricklayers, tailors, decorators, and these do handsome work; negro women are good seamstresses; there are negro dentists and doctors. I don't see why piccaninnies won't make good factory hands, spinning and weaving. There is nothing lacking in their capacity to learn" (George T. Lynch, int., Augusta). And a mill official whose family name is synonymous with the founding of the industry in the South said that while his fellow-manufacturers would want to hang him if they thought he expressed such a belief, he saw no real reason why negroes cannot be profitably and suitably used as operatives.

tion and the entrance of trade unionism, may lead to further tests of negro operatives.[112]

[112] Cf. the writer's "The End of Child Labor," in Survey, Aug. 23, 1919, pp. 749–750. Tompkins in 1895 said: "It is impossible for me to come to a conclusion as to whether the colored people would make successful mill hands or not. . . . I would be willing to be one of 100 persons to subscribe $1,500 each for a mill to be operated by colored people until by losses it should be determined that the experiment was a failure. . . . This experiment is important to the whole South. . . . With white labor alone it will be only a few years before we reach the limit of supply. Then we will without doubt have the same laws, the same experience and the same accessories [sic] of new labor from various sources that New England has had." Foreseeing child labor laws and legislation governing hours of work in the South, he felt that "the general conditions will constantly approach closer and closer to those that have been already brought about in old and New England." While he had no doubt of the negro's intelligence, he thought he lacked tenacity of purpose where the work was monotonous, and that in the warm rooms of a mill, doing light work, he was apt to fall asleep (Cultivation, Picking, Baling and Manufacturing of Cotton, p. 11 ff. Cf. ibid., p. 15 ff.). Mr. Thompson wrote that "speaking broadly the difficulty with negro operatives is not an intellectual one," believing that the chief failings of all negro labor are moral and temperamental. Drawbacks are dislike of the negro of working alone, insufficient ambition and pride in his work; daily association in the same employment might make the negro less respectful to the white man (Cotton Field to Cotton Mill, pp. 249–250). However, this student admitted that bettered standards of life might enable the negro to enter occupations which growing scarcity of white workers must open to him (ibid., p. 266). Cf. Tompkins, Cotton Mill, Commercial Features, pp. 109–110. Relying upon disqualifications usually noted, Mr. Copeland concluded that "There is little likelihood that the negro will become the mill operative of the future," and that "he would require more supervising than his labor would be worth." This writer is mistaken in saying that "Before the Civil War the use of slaves in the factories was occasionally suggested." As has been seen, they were in several instances actually used; in declaring that "no competent business man has yet ventured to make a real test" of negro labor, he overlooks the management of the mill in Charleston (p. 47 ff.). Cf. Uttley, p. 45. Mr. Goldsmith says dogmatically that "The negroes cannot be utilized in the manufacture of cotton" (p. 10). In a discerning summary of reasons for non-employment of negroes in the mills, Murphy placed chief stress on the natural preference of managers for the stronger race, it being often difficult to employ the two together (pp. 103–104). In conversation, Mr. Kohn confirmed the position taken in his writings, and emphasized the hurtful absenteeism of negro labor (interview, Columbia, Jan. 5, 1917). A deterrent to the employment of negroes at the emergence of the mill period not sufficiently dwelt upon, is found in the bitter hatred, born of political and racial fear, that followed the war and Reconstruction. For an excellent statement illustrating this point, see testimony of Lewis W. Parker in report of Hearing before

Not only do opinions differ in regard to negro labor, but facts point in contrary directions. A hosiery manufacturing company which began using negroes in one plant in 1904 has recently installed colored help in two more factories, in all three cases due to shortage of white operatives. Wages of these operatives run from 20 to 40 per cent lower than for white knitting mill hands; they get no better than 80 per cent production from the machines; special care must be used to hold absenteeism in check; difference in production of negro and white workers is not so great as difference in wages, but the number of "seconds" turned out by negroes is greater than in the case of whites. The cost of supervision is higher with negroes, but under practiced management their skill in these mills, as judged by fineness of work, has more than doubled. Negroes offer themselves in sufficient numbers to allow of some selection. All are piece workers. Only superintendents and foremen are white. The judgment of the manager is that where white operatives can be secured, negro labor in textile mills should not be attempted. He could readily understand why a silk mill operated in the South with colored hands had failed, and uses negroes only on coarse work.

It is pleasant, in a study such as this, in which many conclusions as to broad social conditions must be reached by inference, to come upon a part of the subject in which there is an absolute expression of facts under consideration. In speaking of wages paid in cotton mills of the South there are, happily, some figures to form the center of the discussion. Although occasionally distorting the image a little, the wages, in the instance of this industry in the South, constitute a mirror to reflect complicated economic phenomena in a way to make them realizable and concrete. Much evidence which, after passage of time, is undiscoverable in itself, many factors which no one would even think to look for as bearing upon the problem, are unfalteringly assimi-

House Committee of Judiciary upon proposed constitutional amendment giving congress power to regulate hours of employes in factories, April 29, 1902, part 2, pp. 11–12.

lated in the wage scale. Wages paid the operatives are a composite photograph not only of the state of the industry at the time of its commencement, but of the agricultural, social, commercial and educational situation of the South at and just previous to the period here treated.

It will be found that wages varied very markedly from one locality to another for practically identical work; this, so far from weakening the force of what has just been observed, strengthens it, for it has been impressed all along that there was in the South only that standardization which proceeded from the weight of poverty; that it is impossible, as to most aspects, properly to speak of industry in the section as a whole, but only of the particular facts for separate communities.

In these pages regarding wages the reader should keep in mind not only preceding discussions in this chapter—as to condition of the poor whites before they entered the mills, the generally superabundant supply of native white people, the large proportion of women and children in the first mill populations—but larger aspects of the whole study as well. The part played by labor in forming an argument, selfish or philanthropic, for the building of factories; the earnestness with which communities cooperated to raise capital in the face of meagre resources; the faith with which projectors of enterprises reached out for support from the North; the character of plants erected and of machinery put in them; the relations with creditors and commission merchants—all these have their bearing. If it be true that the cotton mills of the South rested to a large extent upon plentiful supply of native white labor, then wages paid to operatives afford a convenient indication of the level from which the industry took its rise.

First to glance at some ante-bellum wages. It is said that in the early fifties $116 per year was the average cost of white labor; then average wages on the basis of 300 working days amounted to thirty-nine cents.[113]

[113] A table given by Montgomery for 1831 includes only two South-

In 1856 Olmsted wrote that there were from 15,000 to 20,000 spindles running in Columbus, the largest manufacturing place south of Richmond. "The operatives of the cotton-mills are said to be mainly 'Cracker-girls' (poor whites from the country), who earn, in good times, by piecework, from $8 to $12 per month." Workers in all Columbus factories of various sorts were declared to be "in such a condition that, if temporarily thrown out of employment, great numbers of them are at once reduced to a state of destitution, and are dependent upon credit or charity for their daily food."[114]

At a time when negro labor was dearer than that of free whites, when slaves were better looked after than white people doing similar work, it is not surprising that there should have been no social watchfulness of the conditions of employment of the latter.[115]

Slavery precluded moral and economic alertness on the part of the public. As comes out more clearly in post-bellum days, it was a miracle if there was work for men and women to do; everyone was far from quarrelling with the terms of engagement.[116]

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ern States, Maryland and Virginia. Average weekly wages of males in Maryland amounted to $3.87 and of females $1.91; male operatives in Virginia received $2.73 per week and females $1.58 (Practical Detail of Cotton Manufactures, p. 161). Cf. ibid., p. 133. In 1849 in the DeKalb factory in South Carolina operatives exclusive of weavers received from 13 to 36 cents per day; in the same year the average wage at Vaucluse was 37 cents, most of the hands being women and children; 300 hands in an Augusta mill averaged $3.05 per week; in an Alabama town the average was $8 per month; at Columbus the pay was from 12 to 75 cents per day for operatives, and for overseers from $1 to $1.25 (Ingle, pp. 75–76).

[114] Seaboard Slave States, pp. 547–548. "Public entertainments were being held at the time of my visit, the profits to be applied to the relief of operatives in mills which had been stopped by the effects of a late flood of the river." (Cf. ibid., p. 543.)

[115] Cf. Olmsted, p. 543.

[116] The position of the South in 1860 can be fancied when it is said of the entire country at the same date that "One or two states had passed laws regulating hours of labor; but none had thought of the cost to the race of hard toil and long hours for women and children, and most men regarded the builder of a mill as a public benefactor because he furnished employment to just this element in the population" (Dodd, Expansion and Conflict, pp. 209–210).

An Alabama cotton manufacturer declared in 1878 it was cheaper by 42 cents per hand per day to operate a mill in his State than in Massachusetts.[117]

In 1883 a New Hampshire hosiery manufacturer purposed establishing a mill at Columbia, South Carolina, and said he could run the plant there "without counting the cost of raw material (which he could procure . . . at less cost than further North) at least twenty-five per cent cheaper, in the cost of labor alone, than he could in New England."[118] Major Hammett, showing the advantage of the South over the North, especially in the manufacture of coarse goods, estimated that the difference in labor amounted to not less than one and one half cents per pound.[119]

A writer in the New York Times observed that "a Fall River, Lowell, or Manchester operative would hardly be able to live on the $4 a week which will make a Georgia operative's family comfortable. There is an abundance of native white labor to be had at from 50 to 60 cents a day."[120]

Coming to a typical mill of the early eighties, it was reported of Clifton, in South Carolina, proposing to employ four hundred native whites, that wages would amount to 50 cents to $1 per day.[121] In one of the little note books giving informal estimates for the Charleston Manufacturing Company, there is a memorandum indicating that a good superintendent would cost $4000 a year, and "Labor 25 cts to 1.50 pr day" with the additional remark: "these wages paid in cotton mills in the State—good authority for this statement."

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[117] It is difficult to tell how much of this saving was imputed to lower wages, and the problem is not much helped by the calculation that a 4000-spindle, 125-loom plant in Alabama had a cost for labor and mill expenses amounting to $63.44 per day (Haralson, in Burney, Handbook of Alabama, p. 271 ff.).

[118] Manufacturers' Record, Baltimore, Feb. 1, 1883.

[119] Quoted from Atlanta Constitution, in ibid.

[120] Quoted in News and Courier, Charleston, Nov. 5, 1881. Low wages were ascribed to low cost of living.

[121] News and Courier, Charleston, May 21, 1881. This plant had 17,000 spindles, 500 looms, and a capital stock of $500,000.

It must be apparent that low wages paid to operatives in Southern mills were bound up with the low cost of living. Remuneration which would otherwise seem impossibly small becomes understandable when expenses of the operatives are seen to have been very little. In order to know the condition of the workers, it is obviously necessary to keep in mind real wages and not money wages. It must be noticed that lower wages prevailing in the South, however accompanied by greater purchasing power and by other payment by the mills in kind, showed the less advanced economic position of the South as compared with other parts of the country. Also, the standard of life of the Southern operative was lower than that of the New England operative, and however completely Southern wages allowed the former to reach his standard of life, he was probably not so well off as his New England brother who saved no more money.

In estimating the real income of workers in the Southern mills it must be remembered that the companies made up a considerable part of the pay in goods and services rather than in coin, and this practice of the early establishments has in large measure endured through the years, affording one of the most striking particulars in which the old economic system, born of slavery and fostering a paternalistic attitude of master toward servant, of employer toward employe, has persisted into a new day. A little mill in the deep country, which got its start shortly before the industrial era, manufactured the coarsest yarns on 880 spindles, and had 600 acres of cultivated land and a gin. Twelve operatives, all white, received an average wage of 33½ cents per day, and 120 persons in all were dependent upon the factory for support. The very low pay and the number of those looking to the mill for a living occasions less surprise when it is learned that the company furnished its operatives with houses free of rent.[122]

[122] Blackman, p. 11. A factory a little larger, but otherwise about similar, on a waterpower located eighteen miles from the railroad, employed 65 white operatives at an average wage of 40 cents for

Low wages were partly due to the limited money economy. Companies frequently could easily bear the prime living costs of their operatives and their families, when the equivalent amount could not well have been paid in cash. The smaller the quantity of money required, the more convenient it was for manufacturers cramped for capital. The company store, which became a widespread institution, as well as being a necessity in isolated factory locations, was designed to limit the amount of circulating capital required by the mill management. The company-owned village has been an extension of the company store. At Piedmont, with 300 operatives and 600 dependents in all, $50,000 was sufficient to cover the annual pay roll, including salaries, the average wage for spinners being 50 cents a day. Operatives lived in seventy-seven tenement houses furnished free of rent by the company.[123] In such "free villages" many lesser gifts are implied in remission of rents. Often wood might be cut from the company's land and cows pastured in the company's fields, and garden patches about the houses were well-nigh universal. In these first villages of the Campaign years poor whites from the neighborhood, desperate for a means of livelihood, thanked the mill for all their needs.

Whatever other factors contributed to the low scale of wages, the primary cause, of course, was the lean condition of the South and the relatively small number of jobs as contrasted with the large number of those wanting work. Wages were really a question of what the factories could pay, rather than of what the people might ask. With economic progress, as agriculture has become more prosperous and industrial plants thicker, wages have steadily risen.

It has been noticed that wages varied greatly from place to place. At Crawfordsville, for example, wages were 33½ cents a day; Fork Shoals, not far away and a mill almost

spinners; there were 200 people dependent upon the factory, which provided houses free (ibid., p. 13).

[123] Ibid., p. 16.

precisely circumstanced, paid about 40 cents a day. This is attributable not only to want of knowledge of workpeople in one neighborhood of conditions of pay and of living prevailing in another, but to the extreme provincialism of employers as well. An important factor besides was wide variableness of circumstances of employment from one locality to another. One mill might have operatives for some years already in its service, and as unwilling to leave for the farms again as they were not likely to go to another factory paying more wages; relative proximity of a mill to a city or town, controlling to some extent the agricultural rents and value of farm produce, and the ease or difficulty with which families could move their few effects, as well as the outlook of the people upon whom the plant drew for operatives, would make a difference in wages. The proportion of women and children employed would have a vital bearing. These things influenced also the operating costs of the factories, and thus indirectly as well as directly helped to determine the amount of money that might be paid in wages. These considerations apply more conspicuously to the mills of the seventies than to those of the eighties, but the distinction is one of degree and not of kind. The larger and more numerous factories became, the less, of course, such forces prevailed.

The summary of the Blackman Report said there were 2,612 operatives in South Carolina in 1880, upon whom 8,143 persons were dependent for support. The amount paid out in wages monthly was $38,159, and the rate of wages for spinners ranged from 25 cents to 78 cents a day, "according to the situation and the character of the labor." The Valley Falls factory, near to Crawfordsville and Fork Shoals, mentioned above, was making profit on coarse yarns although the machinery was old and "despite . . . the great disadvantage of being situated in an almost inaccessible region." Fifteen operatives were employed at an average wage of 40 cents a day.[124]

[124] Ibid., p. 11. At Reedy River, a larger mill in the same locality,

The only indication found of dissatisfaction in the early years with prevailing wages paid is that contained in the following item which appeared in 1882: "Last Monday morning four of the 'warpers' employed in the Rock Hill Cotton Factory waited upon the superintendent and demanded an advance in wages. Their demands were not considered. They were told that their services were no longer wanted at any price. They left and their places were supplied immediately."[125]

Hard times in the industry, especially in the Augusta district, where mills had never seemed to ride on the crest of the wave, were responsible for sharp wage reductions in 1884 in some of the largest factories. In May one cut officers' salaries 20 per cent and employes' wages 15 per cent, and another reduced both salaries and wages 15 per cent. The policy was inaugurated to allow continued sales at market prices,[126] but was only partly efficacious, for the

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the average pay of the 65 operatives was 50 cents a day (ibid., p. 13). At Glendale, where 60 per cent of the 120 operatives were women and children, wages averaged 67 cents a day (ibid., p. 10). Langley in 1879 made coarse shirtings and drills as well as yarns, and paid its operatives, two-thirds of them female, an average of 78 cents per day (ibid., p. 7). Not only might wages vary from mill to mill, but the range might be wide in a single factory. Thus at Glendale the highest was $1.50 per day and the lowest 12½ cents (ibid.). Persistence of variations in wages between mills may be strikingly seen in facts gathered by Mr. Kohn (Cotton Mills of S. C., p. 43). A table of wages paid annually by the mills of South Carolina, and of the capital and spindleage of these factories, published in 1883, yields little that is helpful because "capital" sometimes meant paid up capital and sometimes allowed capital; a comparison of spindleage with wages is not more helpful, because a part of the wages was undoubtedly paid for a greater or less amount of weaving. Two mills with combined capital of $600,000 and 32,368 spindles paid in wages $180,000 a year; Clifton and Piedmont each had $500,000 capital and paid annually $100,000 in wages, but the former had 19,000 spindles and the latter 23,000. These factories were probably making a larger proportion of yarns than Langley, which, with $400,000 capital and only 10,000 spindles, paid in wages $87,500 a year. Another mill, with less than half as many spindles, paid $18,000 a year for wages, or about one fifth as much as Langley. The factory with the smallest capital was expending in wages only $2400 annually (Columbia correspondent of Augusta Chronicle and Constitutionalist, quoted in Manufacturers' Record, Baltimore, Jan. 18, 1883).

[125] News and Courier, Charleston, Jan. 23.

[126] Evening News, Augusta, May 28, 1884.

Enterprise mill soon shut down, and by the time it resumed in October the King and Augusta mills had reduced wages 25 per cent.[127]

In the history of the industry in the South, increasing cost of living and, more importantly, growth of mills and diminishing supply of labor have given to wages an upward trend that, despite lapses and spurts, has been strong and inevitable; wages have advanced not gradually, but in jumps mainly as a consequence of accelerated mill building, though wage reductions in periods of slump have to considerable extent been avoided through absorption of the field from the factory, the opportunity open to operatives to return to cotton raising.

The low wage scale paid in the South as contrasted with other textile sections, notably New England, has often been remarked. The advantage flowing to the Southern manufacturer from cheap labor, partially offset by the lower price received for Southern goods in many cases, and by inability of unskilled workers to get full production from expensive machinery, has proved more persistent than that resulting from other factors.[128]

In assuming that, in real wages, Southern operatives have been as well off as those of New England, it must be remembered that the lower level on which Southern mills have been conducted has involved certain very definite social disutilities which do not appear in any calculation of expenses of living. Such are the results of child labor, long hours of work, poor schooling, mischievous abetting of harmful politics, a contracted economic outlook linked with difficulty in working through the mills to better employments.

That the mills have brought a better living, generally speaking, than most other employments open to the people,

[127] Chronicle, Augusta, Oct. 21, 1884.

[128] Cf. Kohn, Cotton Mills of S. C., p. 33 ff.; Uttley, p. 56; Thompson, pp. 152–153; Tompkins, Storing and Marketing of Cotton, in transactions of New England Cotton Manufacturers' Assn., vol. 77, pp. 10–11.

must be patent from the comparative ease with which factories have obtained labor.[129] Apologists for Southern mills regularly, and others less disingenuous frequently, have laid stress on the favorable "family wage" received by operatives.[130] The error here would seem to be too evident to require correction. To the extent that the head of the family, certainly if assisted by one or two other adult members, cannot by his wages provide for those dependent upon him, the employing industry is socially parasitic. With the entire, or nearly the entire family in the mill, children competing fatally with their elders, money income, augmented by many payments in kind, has been only about sufficient to support tolerable existence.

It has been observed that Southern mill wages have advanced in jerks. Such a sharp rise came in the years leading to the panic of 1907, when the increase was 25 per cent, more or less.[131] Besides paying higher wages, many mills introduced bonus plans.[132] In some cases these were not bonuses at all, but simply wages, operatives working through the noon hour or otherwise speeding up to earn them, but the bonus and less obvious devices took on stronger significance in the hands of employers in the period of sharper competition for operatives during the European War. In February of 1917 it was said: "Few industries can boast of an enterprise which would actually lose money in certain lines in order to benefit its workers, and yet that is just what the Loray Mills are doing. For example, they sell wood and coal to their workers at actual cost always,

[129] Cf. Thompson, p. 159. Comparison of mill wages with those in argriculture, here given, lose force from the consideration that food might be given to farm workers and, besides, account must be taken of the depressing effect of negroes working in the country. Cf. Kohn, Cotton Mills of S. C., p. 50.

[130] Cf. Kohn, Cotton Mills of S. C., for many references.

[131] Cf. Thompson, pp. 159 ff.; Goldsmith, p. 10; Kohn, Cotton Mills of S. C., pp. 33, 36 and 39. Statements of increased incomes to specific families in the years 1902 to 1907 are without point, because of addition of new members to the working group and increase in ages and skill of operatives during the period. Cf. Thompson, ibid., pp. 148–149.

[132] Cf. Kohn, Cotton Mills of S. C., p. 49.

but during the past two months they have been furnishing their help coal at a price fifty cents per ton cheaper than the mills actually pay for the coal delivered to them."[133]

Just as mills have had to compete in welfare work to hold their operatives, it is clear that these extra concessions were simply a convenient avoidance of cash payments. It might have been foretold that increases in money wages would not be allowed to stand frankly as such. The event proved that these were usually painted as "voluntary" on the part of the companies.[134] These things are not worth mentioning either as naïve subterfuges of employers or more naïve efforts of writers to create an impression favorable to hard-set manufacturers, but are interesting as showing now a canny continuance of practices which were sincere and acceptable in the earlier history of the Southern industry. Wage advances were general and rapid in succession, and without doubt many employers would have given these out of pure goodwill to their operatives and to let them share in enormously mounting profits. But it did not need the negro migration that left farm vacancies, unprecedentedly high prices for cotton, army drafts that took their thousands and war construction that held out unbelievable wage opportunities, joining with the first concerted union attention to the South as an unorganized field with resulting strikes at Anderson, Graniteville, and Columbus, to make it plain that the great stimulus back of increases in pay was the necessity of the mill managements.[135]

[133] Charlotte News, Textile Ed. Throughout this survey and a like one of the Columbia Record in 1916 are any number of similar references. In estimating the gratuity of the mills, it is well to note an observation of a North Carolina manufacturer: "Wages, though mill men may not recognize the fact, tend to be determined by the cost of living in the particular mill village. At High Shoals, where wood is $1.50 a cord, wages are less than at Charlotte, where wood is $4 a cord" (Sterling Graydon, int., Charlotte, Sept. 4, 1916).

[134] Cf. Textile Editions of Columbia Record, 1916, and Charlotte News, 1917, the writer's "End of Child Labor," in Survey, Aug. 23, 1919, and Mill News, Charlotte, quoted in Literary Digest, Dec. 9, 1916.

[135] Before these phenomena appeared, Tompkins said: "The pay of operatives rarely varies in the South with the price of goods . . ." (Cotton Mill, Commercial Features, p. 55).

CHAPTER IV

The Rôle of Capital

The achievement represented in the rise of cotton mills in the South is not more clearly apparent than in the story of how capital was gathered and how financial operations of the factories were conducted. Here was an agricultural community made poor by war, economically disorganized by Emancipation and estranged from the capable North through Reconstruction, face to face with an unaccustomed task needing wealth, concert at home and cooperation from without. No new industrial movement has been a shorter time in the talking stage; the South met the acid test of purpose by plunging instantly into actual performance.

Investments in Southern cotton mills increased about $2,000,000 each decade after 1840 until that of 1870–1880, when the advance was roughly $6,000,000—from $11,088,315 to $17,375,897. The figures for the decade 1880–1890 reflect the suddenness and rapidity of the growth once the undertaking was entered upon; capital trebled to $53,821,303 and by 1900 had reached $124,596,879.[1] The forward leap was marked right from 1880. In the fall of 1882 it was estimated that the new paid up capital, not including increases from earnings, had amounted in the two years previous to between $15,000,000 and $18,000,000.[2]

It was of the genius of the movement that Southern capital should be drawn upon to the limit. It will presently be seen how valuably this was augmented from the North,

[1] U. S. Census of Manufactures, 1900. In such an aggregate, these figures may be taken as sufficiently accurate; a local estimate for South Carolina in 1880 was a little under the census return. Cf. Blackman, p. 3.

[2] Baltimore Journal of Commerce and Manufacturers' Record, Sept. 2, 1882. Cf. Manufacturers' Record, Baltimore, March 8, 1883. In Augusta, between 1880 and 1883, two mills were built and five enlarged, making 63,000 new spindles, 2200 new looms, and representing an added investment of some $3,000,000 (ibid., Feb. 15, 1883).

but as to both amount and importance it is right to say that "the chief sources of capital employed in starting the mills were local."[3] While recognizing the extent of outside assistance, an acquainted observer accurately said: "The great majority of cotton mills in the South represent the sacrifices and great efforts of the communities in which they are situated. In the East the cotton mill is built from the capital of the rich; in the South it is built from the combined capital of many of little means."[4] It has already been remarked that a symptom of the Cotton Mill Campaign was the location of factories in towns rather than on isolated water powers, and this was because community enterprise was coming forward.[5] "A most gratifying feature connected with the establishment of cotton mills in the South," it was declared in 1881, "is that the great bulk of the capital employed in their operation has been furnished by Southern people. . . . More than three-fourths of the capital invested . . . has been subscribed by our own people."[6] Southern savings were almost under compulsion to

[3] S. S. Broadus, Decatur, letter, Jan. 27, 1915. Cf. Edmonds, Facts about South, p. 32. Many interviews supported this point.

[4] Testimony of Lewis W. Parker, Hearing before House Committee of Judiciary, 1902, part 2, p. 12.

[5] J. A. Chapman, int., Spartanburg, Sept. 5, 1916. In explaining how a place without wealth could establish the industry, Tompkins overstated the fact in saying that "every one of the towns and cities of the southeast that are now manufacturing places built their first factory out of native resources and without outside help" (A Plan to Raise Capital, p. 25).

[6] News and Courier, Charleston, Sept. 1. Cf. quotation from C. C. Baldwin in ibid., July 11, 1881. "The industry is distinctly a home enterprise, founded and fostered by natives of the State," says Mr. Thompson, who agrees that 90 per cent of the mill capital of North Carolina was native (Cotton Field to Cotton Mill, p. 81). Cf. ibid., p. 59 ff.; Augusta Trade Review, Oct., 1884. There is abundant support for the assertion that "the industry taken as a whole is almost strictly a North Carolina achievement" (Charlotte News, Textile Ed., 1917). Cf. ibid. as to Rhyne's mills and other instances. Twenty years after the commencement of the development, it was estimated that 80 per cent of South Carolina mill stock was owned in the State; as will be seen later, some of this had gravitated South from Northern hands, but against it might be set off shares held elsewhere in the South (Kohn, Cotton Mills of S. C., ed. of 1903, p. 32 ff.). One of the founders said that early in the period over 65 per cent of the capital invested in South Carolina was native (E. A. Smyth, int., Greenville).

become cotton mill shares: "We may look in vain for the dawn of an era of enterprise . . . so long as thousands and millions of money are deposited in our banks on four per cent interest, when its judicious investment in manufactures would more than quadruple that rate. . . ."[7]

Many specific instances show the embodiment of this spirit. The considerable cotton industry of Columbus was wiped out by the capturing Federal army in 1865, and within fifteen years had been rebuilt by local capital to the point where the mills took nearly 17,000 bales.[8] Right after the War, a Northern observer believed that Charleston did not possess recuperative power for its rebuilding, that unless New England sent energy and capital the city would remain a wreck.[9] Yet by 1881 Charleston was leading the industrial advance in the State and furnishing a model of home enterprise in the Charleston Manufacturing Company.[10] It was declared in 1865 that all the mercantile stocks in Columbia, in the heart of the devastated area, could be bought for $20,000.[11] In a decade and a half the citizens were buying out New England interests which had failed to develop the water power and plant cotton manufactures, subscriptions of $55,000 being received in one hour and reaching $117,000 in two weeks.[12]

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[7] News and Observer, Raleigh, Nov. 9, 1880. Cf. ibid., Dec. 24, 1880, as to Edward Richardson. "I am tired of hearing the cry of 'We want Yankee brains and enterprise.' We don't want any such thing; we want Southern brains and enterprise. What the South wants is common sense and action" (C. M. Clay, quoted in Gannon, p. 18). Mills before the war, being usually neighborhood affairs, regularly had local capital, ordinarily from a few investors (cf. Thompson, p. 51). Perhaps the most ambitious suggestion for home subscriptions contemplated the building of mills by groups of fifteen planters who should take $4000 in stock each; nothing came of the plan (cf. Barbee, Cotton Question, p. 138 ff.).

[8] Observer, Raleigh, Sept. 10, 1880.

[9] Andrews, p. 3.

[10] It was said that more than three-fifths of the capital was contributed in Charleston (News and Courier, Charleston, July 6, 1881. George W. Williams, int., Charleston).

[11] Andrews, p. 34.

[12] News and Courier, Charleston, March 17, 31, 1881. Cf. Charlotte News, Textile Ed., 1917, regarding Hope Mills. An enterpriser in a small South Carolina town announced in the local paper:

Not only was a large proportion of the stock held locally, but it was chiefly native investors that actually paid in cash; it will be seen soon that machinery manufacturers received stock in return for equipment.[13]

It frequently happened that after local capital, largely from community spirit, had been adventured generally in a first enterprise, succeeding mills would be erected by a small number of investors as private establishments.[14] Also, even with initial mills, stock after a few years tended to come into the hands of the larger investors who had been central in the subscription.[15]

It has been observed that Gregg, before the War, plead that the dormant wealth of Charleston might be directed into the industrial development of South Carolina.[16] In

"I am now engaged in getting up a mill of 2,500 spindles to manufacture yarn at this place. I do not expect to seek a dollar of foreign subscription, but I want our own citizens throughout the county to be interested in it and to help me build and operate it" (D. J. Winn, in Sumpter Southron, quoted in News and Courier, Charleston, March 31, 1881). Cf. ibid., Jan. 21, 25, 27, 1881. "The project of establishing a manufactory for cotton near Walhalla is being mooted. An informal meeting of some of the citizens of that place was held . . . and stock to the amount of nearly $10,000 was subscribed by the few present. It is believed strongly that as much as $25,000 will be subscribed in that neighborhood, and if the people of the county will join in the enterprise as much as $50,000 might be made available" (ibid., Feb. 26, 1881). The instances of the first mills at Salisbury and Laurens, applicable here, have been recited. Mills at Rockingham were built principally with money from "home people" of that and adjoining counties (William Entwistle, int., Rockingham). Cf. Columbia Record, Textile Ed., 1916, as to mills at Greenwood, Ninety-Six and Lancaster; Grady, pp. 197–198; Tompkins, History of Mecklenburg, vol. ii, p. 198; News and Courier, Charleston, March 17, 1881; Baltimore Journal of Commerce and Manufacturers' Record, June 24, 1882, as to Southern subscriptions to Atlanta Exposition.

[13] Benjamin Gossett, int., Anderson.

[14] Cf. Tompkins, Cotton Mill, Commercial Features, pp. 29–30. When the Charleston mill, which had been peculiarly public in its inception, was to be sold in 1899, the little group of intending purchasers prepared for the transaction with secrecy (Bird Memoranda). Some who had withheld subscriptions from the first Salisbury mill went in on the second, and the third was distinctly private in character (Theodore F. Klutz and O. D. Davis, interviews, Salisbury).

[15] Hudson Millar, int., Charlotte, N. C., Sept. 4, 1916.

[16] Speech on Blue Ridge Railroad, pp. 6–7, 29.

the eighties his wish was amply, if tardily, satisfied. It was principally Charleston capital which developed such up-country mills as Piedmont, Pacolet, Clifton and Pelzer,[17] and many smaller factories drew partially on that city.[18] Many Charleston men, besides, went out as mill builders.

Gregg succeeded in persuading South Carolina to grant limited liability to incorporators of industrial enterprises,[19] and here again after events showed his wisdom. When, during the Cotton Mill Campaign, poor communities felt a stirring which wealthy individuals had not experienced, the companies were regularly incorporated; also, established factories wishing to enlarge sought this facility.[20]

Noticing that many towns which despaired of being able to project a cotton mill yet had building and loan associations with accumulated cash in excess of the amount necessary for a factory, Tompkins took the lead in applying the building and loan principle to manufacturing enterprise. Under his guidance a score of plants, mostly in the Carolinas, were successfully set going; the instalment payment was usually 50 cents a week, though sometimes $1.00 or as little as 25 cents. The mill might be erected as capital came in, or might be completed sooner with money borrowed on endorsement of directors or notes of subscribers used as collateral.[21] The instalment plan did not come into use

[17] E. A. Smyth, int., Greenville.

[18] Mills at Sumter and Anderson, after exhausting local resources, appealed successfully to Charleston investors (News and Courier, Charleston, Dec. 17, 1881; Marshall Orr, int., Anderson).

[19] Cf. Propriety of Granting Charters of Incorporation, p. 4 ff.; Domestic Industry, p. 16.

[20] The South Carolina legislature in the 1882 session granted charters to nine mills with an aggregate capital of $1,725,500 (Manufacturers' Record, Baltimore, Jan. 11, 1883). By 1910 the South showed 20 mills owned by individuals, 13 by firms and 620 by corporations (U. S. Census of Manufactures, 1910, Cotton Manufactures, p. 44). The old subscription list of the Bivingsville mill, 1856, in the possession of Mr. J. B. Cleveland, of Spartanburg, contrasts with the model charters explained in Tompkins' writings (cf. Tompkins, Water Power on the Catawba River, p. 20 ff.).

[21] Cf. Tompkins, Plan to Raise Capital. With a mill operated before all capital was paid in, earnings would balance interest; sometimes profits were so large that a plant under these circumstances even paid dividends (cf. Thompson, p. 82 ff.). In one instance half

right at first, and was generally employed in modest enterprises.[22]

Turning now to financial participation from without the section, it is to be remembered that by 1880 the Southern attitude toward Northern assistance was warmly, even ardently cordial. Willingness to welcome help of Northern money in Southern mills was a test of earnestness in the new program, the characteristic mark of conquest over hurtful pride and estranging rancor. The wish for nationalism and for industrialism on the part of the South was necessarily one. Immediately after the War only the wisest men championed the entrance of Northern enterprise, and found the up-country far more favorable to this view than the low-country.[23] But fifteen years afterwards, Southern sentiment responded outspokenly to even the imperfect sympathies of Edward Atkinson.[24] In connection with the Atlanta Exposition it was said: "We have in the midst of us the raw material . . . of a magnificent prosperity. We lack knowledge, population and capital. These may be slowly accumulated in the course of years, or they may be rapidly by well directed efforts to obtain them from beyond our own borders. We advocate the latter plan."[25] A competent interpreter of South to North asserted: "I say on the strength of recent and extended observation that whatever of antagonism to Northern capital may have existed in the South has disappeared. I never met it, at any time. . . ."[26] Grady was representative in regretting "that our

the subscription was paid down and the balance piecemeal (J. L. Hartsell, int., Concord).

[22] The mill built by negroes at Concord was virtually shut up to this method.

[23] Cf. Andrews, pp. 79–80, 176, 320, 378.

[24] Cf. Atkinson, Address at Atlanta, preface, p. 4; p. 8.

[25] News and Courier, Charleston, March 14, 1881. A country correspondent declared that the South could not afford to remain solid; that the party that could guarantee the safety of incoming capital was the party for South Carolina (ibid., May 25, 1881).

[26] C. C. Baldwin, quoted in News and Courier, Charleston, July 11, 1881. The slave States, themselves emancipated, stood "with a warm and generous recognition of the right of all men of every section of their own country, and of every foreign land, to come into their territory, whether with muscle or money, and share with their

brothers from the North have not taken larger part with us in this work" of building up the South.[27]

Before speaking of solicitation of capital from particular sources, some general bids for outside assistance may be mentioned. Exemption of new cotton factories from taxation, if losing to a State a few thousands, might be expected to induce Northern capitalists to invest in the industry. "Once here, they will be so pleased with our advantages that they will never think of leaving us."[28] The widespread rebuttal which met the statement of Edward Atkinson that he "could not conscientiously recommend investments in Southern cotton mills" showed how keenly the South desired Northern capital.[29] "Unfriendly comments" drove him to conciliation. Superiorities of South over North were set forth in a business-like way, much in the manner of a prospectus, often concluding with a suggestion

own people in developing its riches" (Richmond Industrial South, quoted in Baltimore Journal of Commerce and Manufacturers' Record, June 17, 1882). ". . . Southern investment encourages Northern capital to come into the same field, and the rate of progress is far more rapid than if it depended on either Southern savings or Northern capital alone" (News and Courier, Charleston, Sept. 1, 1881). Cf. Daily Dispatch, Richmond, March 5, 1880, as to Northern money in a railroad project.

[27] Expressions of suspicion were rare; a small paper, out of the current, said: "Well enough is it to talk about repelling Northern capital by discriminating legislation, but far better have no Northern capital than have it holding native noses down to the grindstone. The half-starved mountain wolf refused to change places with the sleek mastiff that wore a master's collar" (Winnsboro News, quoted in News and Courier, Charleston, July 7, 1881).

[28] "One mill owner, himself a Northern man, stated that if their advantages were fully understood at the North, a great many Northern capitalists would make investments in factories at the South" (Observer, Raleigh, Feb. 13, 1880). An Augusta correspondent of a Cincinnati paper, reciting the success of mills in the Southern city, gave this data "for the information of the loose capital which is floating around Cincinnati, seeking five or six per cent investments . . ." (quoted in Manufacturers' Record, Baltimore, Jan. 4, 1883). Cf. Baltimore Journal of Commerce and Manufacturers' Record, June 3, 1882.

[29] Atkinson, Address at Atlanta, p. 27; cf. p. 14. It turned out that above other benefits of the Atlanta Exposition was "the confidence begotten in Northern capitalists by the astonishing display of material wealth and the opportunities offered them of making permanent investments . . ." (Baltimore Journal of Commerce and Manufacturers' Record, Sept. 28, 1882).

that "to the anxious capitalists tired of a petty 4 per cent . . . such facts are not without interest. They go to support the claim that the Southern mill has an advantage of from 10 to 20 per cent over its New England competitor."[30]

Not all appeals for outside help gave promise of realization. Such was the "Cotton Syndicate" proposed to link Southern plantations with Manchester weaving mills. The abortive project is interesting, though, as indicating how even farmers could look to cotton manufacturing for salvation.[31] Some Southern men made active hunters after Northern investors: "Mr. D. L. Love, the pioneer of cotton factories in Huntsville, left for New England . . . for

[30] Atlanta correspondence of New York Times, quoted in News and Courier, Charleston, Nov. 5, 1881. Southern papers eagerly presented news of successful enterprises in order to attract Northern attention (cf. Manufacturers' Record, Baltimore, Nov. 23, 1882). "We are persuaded that once the folks in New England, who have surplus money awaiting employment, thoroughly investigate the points Richmond presents for a safe lodgment of that capital in manufacturing, the flow will start this way" (Dispatch, quoted in News and Courier, Charleston, March 25, 1881).

[31] Cotton lands lacking value, planters requiring capital and profits being diminished in charges of middle men, the National Cotton Planters' Association of America in 1882 sponsored a scheme by which Southern farmers should erect spinning mills on the railroads, to be equipped with machinery supplied by Manchester manufacturers and operated for three years by English workers; farmers would supply food for these operatives and pay four cents a pound for the spinning of their staple. The Manchester men would be guaranteed 10 per cent profit on their stock by mortgage on plantations. Thus Manchester would be certainly supplied with yarn, the Southern cotton growers could borrow on their lands from the Bank of England, all charges between field and mill would be saved, as well as interest on capital for buying cotton and all expenses for sale of goods! (cf. Baltimore Journal of Commerce and Manufacturers' Record, July 15, 22, Sept. 2, 1882). The hardly more likely plan of the Region of the Savannah Colonization Association has been noticed already. The frequent reports in these years of English manufacturers or capitalists about to acquire extensive Southern cotton interests were without foundation. Lumber and minerals, too, were said to be constantly on the point of English exploitation. Cf. News and Courier, Charleston, Nov. 10, 1881; Baltimore Journal of Commerce and Manufacturers' Record, Aug. 26, 1882; Manufacturer's Record, Baltimore, Nov. 23, Dec. 21, 1882; Feb. 8, March 8, 1883. A Southern cotton manufacturer, English by birth and early experience, who has seen the whole development, said that no English capital came to mills of the South in any quantity (William Entwistle, int., Rockingham). This was confirmed by Tracy I. Hickman, int., Augusta.

continuous exertion for the establishment of factories in the South." Projects for mills in Mississippi, Alabama and Tennessee were declared promising; old enterprises were to be set running again and a Connecticut manufacturer wishing to relocate was to be brought to Huntsville.[32] With passing years welcome to Northern capital became, of course, more wide-spread, but it could not gain in sincerity.[33]

Southern overtures to Northern capital were matched by Northern liberality toward Southern opportunities. It will be seen later that most Northern support came not from investors as such, but from commission men, machinery makers and from manufacturers establishing plants in the cotton fields. The impression of the president of the National Cotton Planters' Association was well-nigh universal: "I have been for some weeks in New York and Boston, and I find capitalists entirely willing to back any scheme which is founded on any right basis. Cotton mills are especially attractive. . . ."[34] Ready subscriptions from the North to the Atlanta Exposition had significance for the future.[35]

Occasionally, even in the first years, the mountain moved to Mahomet, as the Southerners must have viewed it; Northern mills or cotton firms sought to manufacture in the South. There was even an instance, that of Athens, where a town by embarrassing delays lost the placement of a fac-

[32] Huntsville Democrat, quoted in News and Courier, Charleston, July 30, 1881. An Atlanta man conducted New York capitalists in an inspection of a Georgia water power; it was bought to propel a cotton mill (Manufacturers' Record, Baltimore, March 1, 1883). "Outside capital . . . is beginning to seek this Southern field to aid in a more rapid and thorough work of restoration. . . . This movement needs a wise encouragment by public and private approval" (News and Courier, Charleston, June 28, 1881).

[33] Cf. Charlotte Daily Observer, Nov. 4, 1897; Tompkins, Storing and Marketing of Cotton, pp. 11–12.

[34] Baltimore Journal of Commerce and Manufacturers' Record, July 1, 1882.

[35] News and Courier, Charleston, April 1, 1881. Cf. ibid., May 21, 1881; Baltimore Journal of Commerce and Manufacturers' Record, Sept. 2, 1882; Daily Dispatch, Richmond, March 25, 1880; Manufacturers' Record, Baltimore, Dec. 14, 1882, March 1, 1883.

tory by a New York firm that was otherwise certain.[36] An interesting, though incorrect view, applicable at most to the South Carolina up-country, has it that "the first movement was from the North to the South. Northern capital was looking for investment; due to the proximity to raw cotton and labor it came to the South. Camperdown and Batesville had only Northern money in them. The idea began to smoulder; other mills came into being, Southern enterprise appealing to Northern capital."[37]

Unsolicited transfer of capital from North to South, especially where plants were founded outright by Northern interests, was not prominent in the opening decade of the period.[38]

Given a Southern community of restricted means intent upon establishing a cotton mill and yet unable to appeal effectively to general capital sources because venturing upon an untried experiment, and the natural thing happened: the local projector would exhaust home resources, likely securing enough money to erect the building, and then would ask makers of cotton manufacturing machinery to take part payment in stock, and apply to commission firms handling goods to subscribe, usually in return for the agency for the product. Thus special inducements were offered and there was redoubled interest in putting the plant in operation promptly. "A promoter had to have his home money first. He would get, say, $50,000; he would go to the machinery men and explain that he had so much subscribed, and would

[36] Baltimore Journal of Commerce and Manufacturers' Record, Oct. 14, 1882. "Mr. Boyd, a capitalist of Providence . . . is in Georgia in behalf of several New England capitalists, and is prospecting for the best place in the State to erect a large cotton factory" (News and Courier, Charleston, April 9, 1881). Cf. Clark, in South in Building of Nation, vol. vi, pp. 266–267; Dry Goods Economist, Jubilee Number, 1896, p. 79; Murphy, Present South, appendix, p. 317.

[37] Mrs. M. P. Gridley, int., Greenville.

[38] A South Carolina town refused to cooperate with a Philadelphia firm which wished to build a mill to use machinery from a Pennsylvania mill that had failed, but the community erected a factory on its own account, stimulated by neighboring Southern enterprise (J. A. Brock, int., Anderson). Cf. Tompkins, Cotton Mill, Commercial Features, p. 39.

they sell him the equipment and how much would they take in stock. Commission and machinery firms would give him 40 to 50 per cent of his total capital. If a man had no previous mill connections, his local subscriptions would be his sole backing."[39] It seems the best opinion that machinery manufacturers took more stock than commission houses—anywhere from a fourth to a half the price of the equipment, depending partly upon demand for their product at the time.[40] However, as will be seen, commission firms often supplied ready money for working capital. Even as to these predisposed helpers there was weight in the reflection that "nothing so attracts investors in other States as the knowledge that people on the ground have proved their faith in an undertaking by putting money in it."[41]

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[39] W. J. Thackston, int., Greenville. "In most places where a new mill is proposed, an idea is prevalent that if half the money is raised at home, then somebody from somewhere will furnish the other half" (Tompkins, Cotton Mill, Commercial Features, p. 39). This statement needs the reminder that local ponds were regularly dragged and redragged.

[40] W. J. Thackston, int., Greenville; W. W. Ball, int., Columbia, Jan. 3, 1917.

[41] News and Courier, Charleston, March 8, 1881. "Books have been opened in Newton, Alabama, for subscriptions to a cotton factory at that place, and Northern capitalists have pledged $100,000 as soon as Newton raises $50,000" (Athens Banner, quoted in Baltimore Journal of Commerce and Manufacturers' Record, June 24, 1882; cf. Manufacturers' Record, Baltimore, March 8, 1883). When a movement was started for a factory at Vicksburg, nearly $200,000 was subscribed in the city, and it was expected that as much more would come from the "East," and that these latter stockholders would manage and equip the plant (News and Courier, Charleston, Aug. 12, 1881). Commission houses participated in the Charleston Manufacturing Company: ". . . the books of subscription to the stock of this company were closed yesterday. . . . Our citizens responded well to the call made upon them, and the full amount of stock desired in Charleston for the immediate organization of the company was subscribed . . ." (ibid., March 16, 1881; cf. ibid., March 15). Of $500,000 wanted for a factory at Gaffney, it was felt that $200,000 could be raised in the county. "The other $300,000 will be obtained at the North" (ibid., Oct. 24, 1881). A typical distribution of stock was that of the Clifton mill, with half of its $500,000 capitalization paid up; $50,000 was held in Boston, $150,000 in Charleston, and $200,000 in Spartanburg, the latter being the local community (ibid., May 21, 1881). Cf. Blackman, p 17, as to Piedmont. Half the stock of Langley was held in New York, the other half equally divided between Augusta and Charleston (ibid., p. 7).

Sometimes it was proposed to inaugurate a small mill completely and then seek outside aid in extension of plant: "It is said that fifteen thousand dollars will set in motion over five hundred spindles, and continual additions can be made. . . . We believe there is money enough in the county, here and there, to make at least a modest beginning so as to attract outside capital."[42]

"If a Southern promoter had no business connections at the North, he went immediately to the machinery and commission men as those most interested."[43] It will be interesting to notice some details of this soliciting method. Many Southern mill projectors entering uncertainly an unfamiliar field would stop in Baltimore to call on the commission house of Woodward, Baldwin & Co., and there were given a kindly reception that bolstered up self-confidence. "Many times we would not know promoters that came, but going about the South we would hear of their enterprises. They would bring letters of introduction, and be in town several days. A party of gentlemen might put up money to erect the building and buy machinery, coming out of the arrangement with more or less indebtedness to the machinery people and lacking working capital. The proposition would be broached to us to take the account of the mill and put up sufficient money to operate the plant. In other cases they would set out to raise $100,000, get half this amount, and come to us. We would subscribe to some

[42] Winnsboro News, quoted in News and Courier, Charleston, Feb. 8, 1881. Cf. item from Chester Bulletin in ibid. The first mill at Gaffney (the initial enterprise projected, referred to in the previous note, did not eventuate) had $50,000 capital and 5000 spindles and drew nearly entirely upon local resources. When a second plant was built, costing $800,000, machinery firms took much of the stock (H. D. Wheat, int., Gaffney, S. C., Sept. 13, 1916). A small Texas mill had room for more machinery. "Up to this time home capital alone has been put in it. An invitation is extended to foreign capitalists for more capital. At least $50,000 more can be used to great advantage" (Baltimore Journal of Commerce and Manufacturers' Record, Aug. 12, 1882). Cf. as to Rock Hill Factory, News and Courier, Charleston, Jan. 12, 14, 1882.

[43] Tracy I. Hickman, int., Augusta. Cf. Copeland, pp. 49–50.

of the stock and then see friends who might be interested in the project and secure additional subscriptions."[44]

Sometimes it was felt a commission house was tying too many strings to its offered subscription, and its assistance was refused; on the other hand, a firm subscribing unconditionally might create an impression resulting in its receiving the agency.[45]

If the Cotton Mill Campaign in the South did not evoke great outward misgiving on the part of the New England industry, it was reflected in the sharply increased business

[44] The commission firm might thus lend influence that was as valuable as direct participation. "We generally required that they should have local subscriptions, local officers and local board. They usually had this arranged for. Then they would perhaps put in a member of the firm of subscribing agents who would attend the meetings. This kept the commission house in touch with the mill, but the business of the firm was to sell and not to manufacture the goods. I do not know that we exacted this last as a requirement. It was recognized as a proper thing to do; the mills wanted it" (Summerfield Baldwin, Sr., int., Baltimore). This firm, especially through William H. Baldwin, had much to do with the establishment of the industry in the South, and everywhere in the mill districts one hears it cordially spoken of. Participation of this and a Boston house in the Charleston Manufacturing Company was representative (cf. News and Courier, Charleston, March 29, May 17, 1881). Much stock was secured in Boston through friendly offices of the commission merchants there (William M. Bird, int., Charleston). Lockwood, of Providence, engineer for the mill, took stock and influenced his friends to do so (A. B. Murray, int., Charleston). Southerners who had before hardly more than seen a cotton mill, were given rapid acquaintance with the industry by visits to plants with their Northern allies.

[45] A. N. Wood, int., Gaffney, S. C., Sept. 13, 1916. "A Boston man told me he would take stock if the King Mill would make colored goods and give him the selling agency. I told him that if he took only a little stock he would have little to say about how the goods were manipulated, and if he didn't take any, he wouldn't have anything to say" (Charles Estes, int., Augusta). As the market for machinery in the South developed, equipment manufacturers became readier participants. An active solicitor who placed little stock of his first mill, in the eighties, with them, had their willing help for a second plant, erected ten years afterwards. In the first instance the enterpriser utilized any connection he had with men of wealth, however slight. He approached many persons he did not know at all. Often the commission house for another Southern mill would be appealed to. A Southern company proposing to buy machinery outright, likely going in debt for part of it, might find the manufacturers willing to take stock, and so would increase the capitalization of the mill. Cf. Manufacturers' Record, Baltimore, March 22, 1883; News and Courier, Charleston, April 6, 1881.

of Northern machinery manufacturers. For obvious reasons, most of the machinery was of American rather than English make. Unacquainted Southern spinners could not buy from a distance even had they not required the close credit relations which domestic machinery men were ready to give them. Just at first some second-hand equipment was installed, less from desire of New England mills to put this off on their new rivals, than from innocence and necessity of Southern beginners. The number of Southern spindles, which had increased during the seventies from 327,871 only to 548,048, from 1880 to 1890 increased to 1,554,000 and by 1900 stood at 4,299,988; Southern looms in 1870 numbered 6,256, advanced by 1880 to 11,898, shot up in the next decade to 36,266, and in 1900 were 110,015.[46] Yarns that had been selling at 14 and 15 cents went in 1880 to 28 cents; established mills joined with new plants in rushing for machinery, for more money was to be made now in six months than before in two years. Prosperity resulted to makers of all equipment.[47] In June of 1882 a single Southern railroad transported twenty-two car loads of machinery from Boston shops, and the same manufacturers notified carriers that they were working on three hundred car loads to be delivered by early fall.[48] Shops which made for the Southern trade enlarged their capacity.[49] It was reported

[46] U. S. Census of Manufactures, 1900, Cotton Manufactures, pp. 56–57.

[47] William Entwistle, int., Rockingham. Southern mill men did not balk at the high price caused by a 37½ per cent tariff on machinery, though it was occasionally complained of. The whole increase of business of machinery makers was not due, of course, to the South; the entire industry was reviving from the depression since 1873; probably, however, a larger proportion of Northern mills installed English equipment.

[48] Baltimore Journal of Commerce and Manufacturers' Record, July 22, 1882. Twenty-four car loads came to Augusta in one week for the King Mill (Manufacturers' Record, Baltimore, Jan. 18, 1883). Cf. quotation from Detroit Free Press in Observer, Raleigh, Aug. 31, 1880.

[49] Cf. Baltimore Journal of Commerce and Manufacturers' Record, July 29, Sept. 2, 1882; Manufacturers' Record, Baltimore, March 8, 1883.

that in two and a half years after 1880 the South had invested $12,000,000 in cotton machinery.[50]

Southern mills with new machinery throughout (it was quickly learned that old equipment was a bad bargain at any price) had an advantage over Northern mills that contributed to profits.[51]

This spurt of the machine shops was caused both by anxiety of Southern mills to buy and solicitude of Northern makers to sell. They were kept closely in touch with one another by trade papers.[52] Agents were sent to at least one Southern State to encourage the building of mills.[53] Mill engineers buying machinery for new plants sometimes collected commissions from the makers, and superintendents were accused of the same practice.[54]

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[50] Baltimore Journal of Commerce and Manufacturers' Record, July 29, 1882; cf. quotation from American Machinist in ibid., Aug. 19, 1882. New orders were being chronicled continuously; cf. Manufacturers' Record, Baltimore, Nov. 30, 1880, March 8, 1883; Baltimore Journal of Commerce and Manufacturers' Record, June 17, Sept. 9, Oct. 7, Nov. 18, 1882; News and Courier, Charleston, Feb. 26, March 4, 25, 1881. The demand for machinery is indicated in the fact that intending users met the makers much more than half way to investigate the Clement Attachment (cf. Blackman, pp. 18–19). Also, worn machinery was in some cases transferred from one Southern mill to another, though rapidly depreciating in effectiveness (John W. Fries, int., Winston-Salem; Manufacturers' Record, Baltimore, Dec. 28, 1882). In this connection it is interesting that some New England mills in the active period following the Armistice, despite full knowledge of its drawbacks, have been driven to install used equipment. By 1884 the shops were over the first rush; times were disturbed, and this idleness, as will be seen, made them anxious to stimulate Southern business again. Cf. Chronicle, Augusta, Aug. 24, 1884.

[51] Cf. Southern Cotton Spinners' Assn., proceed. 7th Annual Convention, p. 67. Probably no Southern plant installed altogether old machinery (H. D. Wheat, int., Gaffney).

[52] Cf. Baltimore Journal of Commerce and Manufacturers' Record, June 10, July 15, Aug. 5, Sept. 30, 1882; Manufacturers' Record, Baltimore, March 1, 29, 1883.

[53] Thompson, pp. 65–66.

[54] Charles Estes, int., Augusta. Equipment manufacturers might supply building plans to companies which did not engage an engineer (William Entwistle, int., Rockingham). Besides, it was said in 1882 that a dozen young Southerners were gaining experience in Lowell machine shops, to be able to operate mills at home afterwards (Baltimore Journal of Commerce and Manufacturers' Record, Aug. 26, 1882).

The principal difference between the participation of commission houses and machinery makers lies in the fact that the former regularly retained their stock in Southern mills, whereas the latter realized upon their holdings as soon as possible. The one group, therefore, so far as concerns investment, had a continuing and the other a passing connection with the industry. Machinery men accepted stock simply in order to sell their product; having no relation to the output of the factories, they had no wish for a voice in their conduct.[55]

It is generally declared that Southern mills have no complaint against their treatment by machinery firms, these having been liberal and cooperative, except that the industry as a whole and individual plants were encouraged to expand beyond wise limits to create a market for equipment.[56]

[55] Confirmation of this point is universal. Sometimes they would sell immediately at a discount, having loaded the price of the machinery to compensate for this loss; sometimes they waited longer, but rarely held on for dividends (interviews with Summerfield Baldwin, Jr., Baltimore; W. W. Ball, Columbia, Jan. 3, 1917; Sterling Graydon, Charlotte; J. W. Norwood, Greenville, S. C., Sept. 9, 1916; Joseph H. Separk, Gastonia; F. Q. O'Neill, Charleston, Dec. 27, 1916). "The machinery men sold out at 94 or 95. I told them to retain their stock, that it would be profitable. But they replied that to sell was their practice" (William Entwistle. int., Rockingham). Most of the shares thus thrown on the market came into local ownership. "At a South Carolina print-cloth mill I was told that 62 per cent of the stock was originally held by Northern machinists, but that by now it had all come South again and was held to a large extent locally" (see T. W. Uttley, Cotton Spinning and Manufacturing in U. S., pp. 46–47). Sometimes, certainly in South Carolina, when a mill was to be built, dealers in tin, lumber, brick and paint would be asked how much stock they would take if awarded contracts (J. B. Cleveland, int., Spartanburg, Sept. 8, 1916). It is likely that such shares were quickly resold.

[56] David Clark, int., Charlotte; J. W. Norwood, int., Greenville. South Carolina mills, with capital in larger units, may have suffered more in this regard than North Carolina plants. It is said that rebates and other benefits were given to purchasers of machinery for cash, while buyers on time were assured the latter was as advantageous a plan. Tompkins was the Southern representative of many machinery firms; besides plants that he built outright, he equipped perhaps 150 mills. Both as commercial agent and as publicist he encouraged erection of factories, but never with any hint of chicanery attaching to his activities, though he was obliged to have some factories sold for debt (Sterling Graydon, int., Charlotte). Not all agents have had this record; a North Carolina mill had to

A common failing of the mills, in the train of which came many embarrassments and drawbacks, was lack of working capital. This was due partly to insufficiency of ready money in the South, partly to need of large sums for purchase of quantities of cotton for coarse spinning, and was not unconnected, perhaps, with willingness of a community unacquainted with industry to rest satisfied when visible investment had been cared for. Also, original provision for enlargement of plant, while ultimately economical, was immediately expensive, rendering some capital unproductive.[57] Tompkins was giving advice for the typical enterprise when he counselled that $75,000 was the least that should be subscribed for a mill in a new section, and that while this did not allow of 10 to 20 per cent of capital stock being set aside for working capital, as was wisest, still most companies started without this facility, either borrowing from a home bank or consigning product to a commission house and drawing against it for 75 to 90 per cent of its value. So far from possessing running capital, mills often began operation with indebtedness on the plant.[58]

be reorganized before it commenced operation, and while local investors were scared off by the project to double its spindleage, machinery manufacturers encouraged the enlargement and took preferred stock, of which there came to be an actual majority. A machinery representative is president. The mill is less successful than those about it.

[57] Southern cotton factories from the beginning have developed water power, installed boilers and erected buildings with a view to extension; this showed as much faith in the future of the industry on the part of projectors as it did solicitude for future work on the part of engineers and machinery manufacturers supplying plans (cf. Uttley, p. 47). Sixty-four per cent of new spindles in 1903 were credited to established mills (ibid., p. 44). A 25,000-spindle, 600-loom mill that cost, with provision for 15,000 more spindles and their complement of looms, $28.65 per spindle, was to cost, when fully equipped, $16 per spindle (ibid., p. 48). Here was a wider difference than Tompkins calculated when he said that building with a view to doubling capacity would cost about 7 per cent more at the outset (Cotton Mill, Commercial Features, p. 51 ff.). For typical instances at the opening of the period, cf. Baltimore Journal of Commerce and Manufacturers' Record, July 22, 1882, as to Rome Cotton Factory, and ibid., Oct. 28, 1882, as to Huguenot Mill.

[58] "The capital proposed for the Darlington mill is $280,000. Of this $140,000 has been subscribed and the work of construction begun" (News and Courier, Charleston, "South Carolina in 1884").

Hurtful refusal of Southern banks to cash drafts for goods sold directly to Southern merchants, remarked by a Virginia governor in the fifties,[59] became a no less compromising inability to finance the industry in the eighties. Nor could Southern mills look to Northern banks—the industry was too untried, the banks too far away. The factories needed friends at court, agencies involved in the future of the new enterprises. Commission firms were the natural resort. Said a manufacturer not liking this recourse: "The Yankees asserted first we could not run because of climate. We did it. Then they said we could make coarse goods, but not fine goods. Well, we are doing it. The North made two guesses out of three, and was mistaken in them. It did not make the guess that we could not run without money. But you find Southern mills failing and going to the Eastern men to whom they were in debt."[60]

Believing need for working capital had led mills into damaging connections with agents for goods, it was declared that companies would have done better to depart from practice and issue bonds at the outset to provide themselves

"One of the special disadvantages under which Southern mills have to work is that often they have very little working capital and at the beginning think that all they have to do is to pay for the mill, if, indeed, they do that" (S. S. Broadus, Decatur, letter). "Most Southern mills when built had to borrow their total working capital, and this is still done. Many borrowed to build the plant. It is not wrong for a mill to borrow a little fixed capital, say $3 or $4 on the spindle" (Summerfield Baldwin, Jr., int., Baltimore).

[59] Cf. Clark, in South in Building of Nation, vol. v, p. 324.

[60] J. H. M. Beatty, int., Columbia. Mr. Copeland has recognized that "It is available cash rather than geographical location, which determines who will be able to buy cotton when the price falls" (see pp. 36–37). "The unsuccessful mills are often so because of slavery to the commission houses through which they sell their product. Too many Southern mills have been built with insufficient working capital or with none at all. . . . The commission houses, many of which have banking connections, gladly advance 75 to 90 per cent of the market value of unsold goods, charging the mill double the rate of interest which they themselves must pay for the money. Thus interest charges often eat up profits" (Thompson, pp. 89–90). Mr. Law referred to commercial paper placed with banks, and not to more entangling alliances, when he declared latterly that a cotton mill is properly a seasonal borrower for the purchase of raw material (John A. Law, Cotton Mill Credits, in proceed. Robt. Morris Club, National Association of Credit Men, 1916, pp. 24–25).

with ready money. "A mill could issue $500,000 in bonds at 6 per cent, carrying this $30,000 interest and pay a man in New York $15,000 to sell its product. For borrowing the same sum from the commission house, the mill must pay $50,000, and for this privilege must give, besides, a terrific bonus of 4 per cent on sales. The difficulty could have been avoided had the mills been capitalized at enough in the beginning."[61]

With the exception of the labor factor, scarcely any relations of the mills have been so continuous and uniform through the history of the industry as those with commission houses selling the product. It has been explained how, through taking stock and lending working capital, these firms became a characteristic part of the enterprise. It is very difficult to generalize as to whether their influence has

[61] Tracy I. Hickman, int., Augusta. "Mills with no working capital began life with their credit strained; so they were in the grip of commission firms which lent them money" (W. W. Ball, int., Columbia, Jan. 3, 1917). Lack of capital sometimes entailed equipment with second-hand machinery. This was probably the cause with Montgomery's first mill at Spartanburg, built by instalment payments (L. G. Potter, int., Gaffney, S. C., Sept. 13, 1916). Later, a mill at Bessemer City, N. C., installed old machinery and put a mortgage upon it (G. W. Ragan, int., Gastonia). For a typical advertisement of old machinery for sale by a New England mill, cf. News and Courier, Charleston, April 19, 1881. The establishment of Piedmont fell in hard times; for three months while the machinery was being installed, the only pay of the workmen was credit for groceries at a store in Greenville, the mill giving a note in guarantee (W. J. Thackston, int., Greenville). A commission firm was of great assistance. Hammett had to mortgage some of his private property (James D. Hammett, int., Anderson, Sept. 11, 1916). The Charleston Manufacturing Company had contemplated setting aside $75,000 of the $500,000 capital for preliminary and running expenses, but quicksand was struck in making the foundations and this money had to be spent in piling (William M. Bird, int., Charleston). Lack of running capital precluded success. Bonds to the extent of $250,000 were issued soon after operation commenced (A. B. Murray, int., Charleston). It is asserted that the King Mill, at Augusta, is the only one built and run within its original capital stock; a fourth of its million-dollar capitalization was reserved for running expenses (Charles Estes, int., Augusta; a contemporary newspaper article gives a maximum of $181,979.57 for this purpose; cf. Evening News, Augusta, Jan. 23, 1884). In the depression in 1884 mills without surplus capital were seriously embarrassed (Chronicle, Augusta, Sept. 11, 1884). It is said that bad management was responsible for fewer failures than insufficient working capital (Tracy I. Hickman, int., Augusta).

been good or bad. It is best to understand that, for a good many years at the outset, mills could not have come into being without assistance from commission men, and then, in the spirit of Tompkins' position that well-disposed houses have been advantageous allies but that many abuses need to be eliminated, to state the usual complaints and defenses.

It was early felt that if a mill was to secure full prices and prompt sales, the executive officer must be a good merchant, correcting his reliance on the commission firm by personal knowledge of markets.[62] After some years of experience, reasons for this circumspection could be enumerated. Pointing out that selling agents found subtler means of exploitation than the commission rate, a standard 5 per cent, a manufacturer said that an indictment of firms guilty of malpractice would include the following counts: (1) Beating other commission men to the market was preferred to shuffling in the competition and trying to make a sale that would in the end, if successful, bring a higher commission —so they would offer the mill's product at a figure below the current price. (2) Agents would sell a mill out further ahead than was wise from the manufacturer's standpoint. (3) Suppose a mill has been holding its product in hope of a rise, but the commission house, advising that no advance will come soon, dumps the goods on the market. The market falls further. Then, to prevent product from piling up in stock, the agents apply to sell it. It has been suspected that commission firms sometimes in such cases sold goods to themselves for purposes of speculation, they being in a position to know that the market would recover later. Here they reaped their percentage on bogus sales and a profit on the speculation. Where a house acts as exclusive agent for the output of a factory, guaranteeing accounts,

[62] Cf. comment on a statement of Hammett's, in Manufacturers' Record, Baltimore, Feb. 1, 1883. There were many later expressions; cf. Tompkins, Cotton Mill, Commercial Features, p. 128 ff. Precautions were to be taken at the very start; in deciding on the goods a new mill should make, it should be remembered that the commission firm was likely to advise that particular product in which it specialized, and this would not necessarily be profitable in the long run (ibid., p. 56 ff.).

it is best considered that the goods are sold to the house outright, to do with as it will. It is the duty of the mill management under such an arangement, of course, to keep up with the market and insure fair play. (4) A commission firm might tell a mill its product was bringing less than was the case, the firm keeping the difference. This was theft. (5) Where the yarn of a mill was made of cotton superior to that used by its competitors, the agents would not always take pains to explain this and so get a better price than the average; demand for yarn of that count might be supplied from lower grade goods, the difference in commissions not making it worth while to push the finer product. And yet the commission men were supposed to represent the interests of their clients. (6) A firm might even seek to accomplish the buyer's interest exclusively. Suppose it did not handle all the product of a mill, but sometimes placed it in specific orders. Seeing a chance to sell goods, the commission house, knowing the factories of the district, would shop around and get the bottom price from the most necessitous maker, and offer this to its client.[63]

[63] Sterling Graydon, int., Charlotte. Several of these and additional points are brought out by Tompkins (Cotton Mill, Commercial Features, p. 128 ff.); agents have thrown cancelled orders back upon the mills without much scrutiny into claims of the purchaser; on the other hand, they have been too accommodating about holding goods and advancing money on these, so that interest account absorbed the mill's assets. It has been a custom for commission firms not to reveal to mill managements names of customers. Out of this has grown much suspicion and perhaps some misdealing. Said an official: "Some years ago a mill in which I was a stockholder had a lot of goods piled up while prices were at rock bottom. The commission house wanted to sell the goods. The mill begged the house not to sell; we were confident the market would recover. But the firm wrote back that the mill owed it $200,000, and that unless this was paid the stock would be sold. The commission house knew the mill could not pay the amount then, and the goods were disposed of at a great loss. I have always thought the selling agent bought on his own account." In another instance a mill received through a commission firm an order for 10,000 pounds of yarn to be delivered each month for ten months. The mill shipped the first batch, but when time came to deliver the second, was advised by the house that the market had gone off some points, and not to deliver. Months passed with no more deliveries until the tenth month arrived. By now the price was above that named in the contract, and the mill was instructed to ship goods covering the entire order. Expostula-

Observing that a mill partly owned by a commission house frequently must see its goods sold under the market and that factories that would not have come into being except for assistance of selling agents were built as feeders for commission firms and not to make money for local stockholders, a progressive manufacturer advised that interference by agents be eliminated at any cost; on the whole, their influence in the Southern textile industry has been bad.[64] Stock in mills about Greenville, once largely held at the North, is coming to the locality of the factories; commission men were not sorry to ruin a mill if they could be indemnified in charges first.[65]

The story is not one entirely of condemnation. Some commission firms have had close and thoroughly helpful relations with Southern mills, lending not only financial support but valuable business judgment. Rates of commission have declined one-third since the eighties.[66] Many bad

tion was unavailing, the commission house replying that the customer would be lost if pressed upon the fault, and that unless the yarn was delivered the house would sever relations with the mill. The director who wished to sever connections was bought out. It was his conviction that the selling agent was his own touchy customer. This sort of experience has led many to the conclusion that the only way is to sell to the house direct, demanding payment from it and not knowing or caring where the product goes (Charles E. Johnson, int., Raleigh). There was a famous case in South Carolina where a mill owing a commission house an amount equal to a fourth of its capitalization and feeling itself mistreated, changed agents, borrowing from the new firm money to pay the old debt. But the offended agents secured enough stock to control the mill, and finally sapped it. The same commission house, it is asserted, tried in every way to show that colored labor was unprofitable in a mill in which it had been installed in an extremity. Commission men, especially where they had banking interests, found it profitable to borrow money in the North at 3 or 3½ per cent and lend it to Southern mills at 6 and 7 per cent. This caused much dissatisfaction, particularly when the sums going to the agents in commission were considered (Tompkins, ibid.; William M. Bird, int., Charleston). Commissions have in special cases, where a firm was eager to secure agency of a mill, been as low as 2 or 3 per cent (F. Q. O'Neill, int., Charleston. W. W. Ball, int., Columbia, Jan. 3, 1917).

[64] Joseph H. Separk, int., Gastonia.

[65] Clement F. Haynsworth, int., Greenville. Lancashire half a century after the South, developed the same devices for financing new mills as have here been described, with the same drawbacks attending. Cf. Copeland, pp. 317–318.

[66] Summerfield Baldwin, Jr., int., Baltimore.

practices have disappeared. It is probably true that along with regret for early faults must go the recognition that, whether participation of commission men was damaging or beneficial, it was necessary and that the industry owes its establishment as much to them as to any other factor.[67] It is to be borne in mind, too, that the mills were started by men new to that industry and, in many cases, to all industry; these might be too quick to charge exploitation by powerful agents a thousand miles away in the North. Also, selling houses had the money motive, not the patriotic one present with local projectors.[68]

There is an evident movement in the South away from any reliance upon outside commission houses. This manifests itself in action by sales through brokers or directly to jobbers and mills, by patronage of Southern selling agents, and by establishment by groups of mills of sales offices in the North. Moreover, that the South is thinking of a still better solution is apparent in frequent mention of the possibility of building up a distributing point within the sec-

[67] J. A. Chapman, int., Spartanburg; C. S. Morris, int., Salisbury.

[68] As early as 1903 a spirit of conciliation toward commission men, of letting bygones be bygones, was shown in the Southern Cotton Spinners' Association (proceed. 7th Annual Convention, p. 162). It should be clear to the reader why selling houses, in contrast to machinery manufacturers, retained their mill shares. Critics at the South have charged this degree of control permitted peremptory methods in disposal of product that proved harmful; on the other hand, this may be interpreted as a proper watchfulness over enterprises being credited with large sums at a time when money could not be gotten by them otherwise (cf. Copeland, p. 197). "This Southern development would have been delayed twenty years if the commission men had not taken hold. Southern promoters absolutely did not have enough money at home to accomplish it. Besides, it was credit extended to projectors of mills by selling houses that gave them a measure of credit with machinery people." Commission firms have had to keep large capitals ready against calls of their Southern clients; over advances have usually been made just on the credit of the mill (Summerfield Baldwin, Sr., int., Baltimore). Frequently money was lent to mills at less than local rates, even had banks been willing to furnish funds (Washington Clark, int., Columbia. Cf., as to slightness of available banking facilities, Hammond, pp. 160–161). Commission percentages were not so high where mills were not heavy borrowers (J. A. Chapman, int., Spartanburg). The fact that selling houses placed little real money at disposal of the mills, except in advance on goods, does not modify the importance of their assistance.

tion that will make dependence upon Philadelphia and New York no longer necessary. It is generally recognized that this last cannot be accomplished until finishing plants have become numerous in the South, until financial support of outside selling firms is not required, and until diversity of prices for identical product, largely resulting from participation of commission firms, disappears. The Panama Canal, development of banking resources, competition itself through extension of the industry, and, all in all, total maturing of Southern economic life, will hasten realization of this ideal.[69] There are enough who believe that the strong tradition, mainly in favor of New York, cannot be broken down, and that other obstacles preclude complete conduct of the industry, in manufacture and commerce, within the South. But others accept and challenge these difficulties in much the same spirit that characterized the founders of mills forty years ago. These cannot see the logic of sending goods to the North to be bleached and finished when the South has every facility for these processes if only they are taken advantage of; if it was once raw cotton that was to be manufactured near the source, it is now goods in the grey that are not to be wastefully shipped away and shipped back.

Before the Southern industry as such took its rise, before Northern selling firms came into the field, the majority of mills relied mainly upon local, or certainly Southern, demand for their product. Exchange of yarn for butter and beeswax by the smallest factories was matched in somewhat more extended barter of larger mills. Such practices survived the war, and were occasionally present even after a commission house took charge of part of the output of a plant.[70] Even in the eighties some mills had traveling salesmen covering the South, and others were terminating brief connections with commission houses and selling direct or

[69] George W. Williams, Charleston; Thomas Purse, Savannah, Ga., Dec. 26, 1916, interviews.

[70] Cf. Thompson, p. 51; Daily Dispatch, Richmond, Jan. 2, 1880; William Banks, Columbia, and W. J. Thackston, Greenville, gave instances in interviews.

through brokers (the latter giving the mill right of acceptance or rejection of orders, costing far less and involving risk that was small beside commission charges); but for the most part this was the day of leaning upon selling agents.[71] From this dependence the South is emerging and returning to the old self-reliance, but a self-sufficiency accompanied by improved facilities and wider outlook. Distributing companies formed by chains of Southern mills, especially where under united ownership, are becoming factors in Northern markets; with more commercial knowledge direct selling by individual mills loses its dangers.[72] True, international representation has not yet come, but this may lie just over the horizon.[73]

It has been said that merchants were often mill builders. These sometimes got outside capital from other sources than machinery and commission men, namely, from those with whom they had commercial dealings, but even in this instance there were special reasons prompting investment. Concord presents typical cases. The largest manufacturer of the place went to the town as clerk in a general store and later went in business for himself. He determined to build a factory, securing some $60,000 in local subscriptions. Then he went to the firms from which he bought

[71] Copeland, p. 216; Charles Estes, Augusta; W. R. Odell, Concord, interviews.

[72] Copeland, pp. 172, 209; C. B. Armstrong, int., Gastonia; for references to new selling methods, see Charlotte News, Textile Ed., 1917.

[73] Cf. Law, in proceed. Morris Club, National Assn. Credit Men, 1916, p. 23; Tompkins, The South's Position in American Affairs, p. 5 ff. An interesting approach to later developments was the formation of the Cone Export and Commission Co., sometimes known as the "Plaid Trust," in 1891. The firm sought to represent all the Southern plaid mills, these buying stock and securing a measure of control in the enterprise. It came too early to succeed, unity proving impossible; it can hardly be called an effort by a commission house to anticipate autonomous action on the part of the factories. (Information as to this project is contained in an announcement by the Company issued in May, 1891, giving quotations from the Daily Commercial Bulletin, N. Y., May 14, and Dry Goods Chronicle, May 23, 1891; cf. Copeland, p. 206, and as to a somewhat similar organization, p. 161 ff.; Mrs. Moses Cone, Baltimore, Md., Nov. 14, 1916; Bernard Cone, Greensboro; R. G. Vaughn, Greensboro, Aug. 30, 1916, interviews.)

"brogans," and cloth and to which he shipped raw cotton, explaining to them his plans and showing that a mill would enable the town to grow and permit him to do a larger merchandise business with these wholesalers. It was almost worth the subscription to keep his business, so each firm bought $5000 of stock.[74] The only shares of another Concord company owned outside of North Carolina are held by Baltimore men who had business relations with the merchant who built the mill.[75] Sometimes mercantile connections of many years before were recalled to serve a purpose in the eighties.[76]

Much of the early mill building consisted of extension of plant by means of earnings. Tompkins indicated that profits to the amount of 5 per cent of capital were ordinarily devoted to this extension, but in frequent individual cases much more than this was found available.[77] Often by the time a mill was put in operation a company had exhausted credit facilities and local capital resources; the large earnings brought a new increment of cash and additional command over credit, which were employed in augmentation of plant.[78] Vaucluse was built from the profits of Graniteville and a third plant, the Hickman, was created with money borrowed.[79]

While many mills with extended plant have little more

[74] J. L. Hartsell, int., Concord. Years later, when merchandising is no longer thought of, this manufacturer can readily get subscriptions, it is said, from retired wholesale dealers of New York, Philadelphia and Boston (Charles McDonald, int., Charlotte).

[75] Ibid.

[76] Charles Estes, int., Augusta.

[77] Cotton Mill, Commercial Features, p. 172. Besides, he confused new construction with upkeep.

[78] Benjamin Gossett, int., Anderson. There might be combination of methods. The 5000-spindle Williamston Mill issued extra stock to $300,000, increasing spindleage to 15,000; afterwards the plant grew to have 32,000 spindles, all on earnings and credit.

[79] Tracy I. Hickman, int., Augusta. Cf. Blackman, p. 5. The Gaffney mill erected a two-story addition from the first three years' earnings (L. Baker, int., Gaffney). The Arlington Mill, Gastonia, organized with $130,000 capital and 3000 spindles, after three years issued a stock dividend of $45,000 and increased its spindles to 9500, and by later earnings enlarged to 12,000. Cf. Charlotte News, Textile Ed., 1917, as to Cliffside and McAden mills.

than their original capitalization, that of others has been increased by additional issues of stock, frequently to subscribers at a reduction. Though thus put out at 75 or 80, the industry was profitable enough to keep shares at the par of 100.[80] "The stockholders of the Matthews Cotton Factory, at Selman," it was reported, "have resolved to increase the capital stock from $100,000 to $300,000. Extensive plans for enlargement have been determined on, and they will be commensurate with the amount of increased stock taken."[81] The Anderson mill, capitalization of which was raised from $100,000 to $250,000 and by three more increases to $800,000, had a debt on the plant in the beginning; earnings going to take care of this, and further credit probably being difficult, stock issues were resorted to for enlargements. Machinery and commission men participated heavily.[82] Local brokers negotiated for the entire additional stock of the Enterprise Factory, Augusta; it was understood that one man and his friends would take $140,000 of the $350,000 issue.[83]

It was characteristic of the establishing of an industry among people not very familiar with financial devices, with few investors beside those interested in cotton manufactur-

[80] Increasing capital to $1,000,000, stock of the Sibley mill was offered to original subscribers in pro rata amounts, any not so taken to be sold in the general market at not less than par. The directors were empowered, too, to issue $100,000 in bonds (circular letter of William C. Sibley, Augusta, April 26, 1882, in Raworth scrapbook). It is said now that $500,000 in stock should have been issued to build the Hickman mill, rather than borrowing for this purpose (Tracy I. Hickman, int., Augusta).

[81] Manufacturers' Record, Baltimore, Dec. 21, 1882. At reorganization of the Charleston Manufacturing Co., $300,000 fresh capital was subscribed and equipment of the plant was completed (A. B. Murray, int., Charleston).

[82] J. A. Brock, int., Anderson. Most of the original shareholders increased their subscriptions to the Cannon Mill before the plant was completed (J. L. Hartsell, int., Concord). Enlargement of capital and plant often was undertaken in this early stage. In a period of similar activity thirty-five years later, companies at Gastonia had hardly received their charters before deciding to increase capitalization. Clifton and Trough Shoals mills intended to double capacity and capital when a successful beginning had been made (Blackman, pp. 10–11; News and Courier, Charleston, Feb. 10, 1882).

[83] News and Courier, Charleston, Feb. 24, 1881.

ing as such, and with commission houses and machinery makers to assist, that bonds and preferred stock should have been employed rarely. "The people just put in their money and made it go as far as it would, without thought of preferred stock and bonds. Mills were generally small because the money did not go far."[84] Also, if fixed assets in land, buildings and machinery were mortgaged by issuance of bonds, there was only material in course of manufacture and finished product on which to base commercial credit. It is said that in most instances where bonds were sold, the practice was found to be bad.[85] No case has been discovered where preferred stock or bonds were issued at the outset; it was when a mill got into trouble, needed additional capital or had to be reorganized that such helps were turned to.[86] A mill at Bessemer City was under-capitalized, the projector could not persuade stockholders to increase their subscriptions, and so machinery could not be installed. The promoter built a second mill and a third which were

[84] T. C. Leak, int., Rockingham.

[85] W. J. Thackston, letter, Greenville, S. C., Nov. 25, 1916.

[86] Tracy I. Hickman, Augusta; F. Q. O'Neill, Charleston, interviews. Cf. U. S. Census of Manufactures, 1900, "Cotton Manufactures," p. 31. The following from the report of the president of the Enterprise factory to the stockholders in 1885 is sufficiently revealing to bear quotation: "Four months ago, when the Board of Directors took charge of your property, they found it burdened with a floating debt of $200,550.25, largely the result of embezzlement on the part of its former President. . . . The company had also issued second mortgage bonds on property, to the amount of $150,000.00, with which to pay off such debts as were most urgent, but, not finding a ready sale for these bonds in their then crippled condition, the President had hypothecated them to the extent of their issue, as collateral to secure creditors. . . . It was determined to issue preferred stock to the amount of $250,000.00, and with the proceeds pay off the debts of the company, take up the second mortgage bonds, and operate the mill. Since then there has been $148,200.00 subscribed to the preferred stock, of which $85,750.00 has been collected. We have already taken up and destroyed $100,000.00 of the second mortgage bonds, and paid $95,121.34 of the outstanding indebtedness. There remains $101,800.00 of the preferred stock not yet taken, but your Board believe, that in the improved condition of the company, it will not be necessary to dispose of more than one-half of it" to care for all indebtedness except $42,000 to machinery makers, to be paid by company's notes running for ten years. It was hoped soon to redeem the preferred stock (Raworth Scrapbook). Cf. Augusta Trade Review, Oct., 1884, as to Augusta Factory.

bonded. Neither venture succeeded.[87] Earnings having been slight because of a bad market for goods, it was decided in 1884 to cut down the proportion of overhead expense of the Sibley mill by completing the equipment of the plant; this was thought advantageous, too, because makers were not busy and machinery could be purchased cheaply. Not all of the previously authorized bonds had been sold; the directors recommended an additional issue and urged that shareholders follow the example of the directors in subscribing as heavily as possible. This course would preserve the ownership of the property, make 6 per cent earnings possible and arrest the decline in value of stock.[88]

In some instances, as in Columbia and Charleston, local banks were of substantial assistance in furnishing working

[87] S. N. Boyce and J. Lee Robinson, int., Gastonia.

[88] See annual report of President Sibley in Chronicle and Constitutionalist, Augusta, May 1, 1884. In two weeks nearly two-thirds of the bonds had been placed and the president, "notwithstanding the disappointments of the past," had "more faith now than he ever had in the final success of the company" (ibid., May 14, 1884). Striking difficulties with commencement of operation, the Charleston mill issued bonds to half the value of its property (A. B. Murray, int., Charleston). Later, an instructive operation took place between an involved South Carolina mill and its commission house. The plant cost $21 per spindle—$1,748,000—but there was a debt of $9.64 to the spindle, the company being capitalized at $976,700, all common stock. The net indebtedness had run as high as $830,000, but at the time of this episode it stood at $510,000. Trouble of a serious nature being discovered in the books, the mill would have gone into the hands of receivers unless relief had come. The commission house was so heavily interested that it had to act, and took $500,000 of preferred stock at par, though a banking house would not have given above 80. Other creditors insisted upon payment of their accounts, and the selling firm had to put up $560,000 to care for these items, making its total interest in the company well over a million dollars. Though the original debt of mill to commission house had been liquidated through conversion into preferred stock, by the whole operation this obligation was greater than before, and there was an increase in stock from $980,000 to $1,500,000. Conditions speedily improved from this date. In a case such as this the preferred stock would ordinarily be offered to the shareholders who, however, were not usually able to take it. Though there are statements to the contrary, one of wide observation did not know of an instance where a commission house bought into a healthy mill to gain control of it. Probably a similar happening was the taking of all the bonds of a mill by a firm of selling agents thirty years ago (A. A. Thompson, int., Raleigh). Cf. Columbia Record, Textile Ed., 1916, as to Lydia mills.

funds, but such assistance was far from general. Reasons for this have been noticed. Banks were few and had slender resources.[89] Industry and banking, developing together, were mutually helpful, but neither could greatly take the initiative. Interest rates were high. Even latterly, mills borrowed at 7 and 8 per cent, and besides were compelled to keep a balance of 20 per cent of the loans, on deposit without interest. On the other hand, commission firms might lend at less than these rates and require no balance. Northern mills could get money from banks at half the interest paid in the South.[90] Southern banks assisted the mills indirectly to some extent by loans to stockholders on their shares.[91]

As early as 1884 it was suggested in the South that those contemplating the founding of mills should consider the plan of securing subscriptions from operatives, popular in England.[92] In the nature of things, the scheme could not have been employed in that stage of the development. Probably it was not relied upon to any extent until, recently, half the stock in a Gastonia mill was taken by operatives.[93]

Leaving now the means of acquiring capital, the subject of profits and dividends is to be examined. In 1890 it was estimated that for the country at large profits in cotton

[89] Immediately after the war, the largest bank in Charlotte had a capital of only $20,000 (Hudson Millar, int., Charlotte). The rate of growth of Southern banking is eloquent of former leanness (cf. John Skelton Williams, The Billion Arrives, p. 7).

[90] Summerfield Baldwin, Jr., Baltimore; Benjamin Gossett, Anderson; interviews; S. S. Broadus, Decatur, letter. Generally, conditions have improved. A good mill can sell paper through brokers at 4 per cent and commission. (Summerfield Baldwin, ibid.; C. B. Armstrong, int., Gastonia). Richmond banks have come to bear important part in the Southern industry. One group of mills at some seasons has owed Richmond as much as $4,000,000.

[91] August Kohn, int., Columbia. Barely worthy of mention is the fact that mills sometimes, with more or less surrender of strictly local control, got assistance from established manufacturers in the South. Or a factory might merge entirely with a group of mills skilfully managed.

[92] An Augusta paper of Nov. 6, referring to earlier publication in New Orleans Times-Democrat, in Raworth Scrapbook.

[93] Charlotte News, Textile Ed., 1917. In limited adoption, the plan has frequently been used as an employer's device. Cf. ibid., as to Saxony Spinning Mill, Lincolnton.

manufactures, allowing only for ordinary repairs, were 7.59 per cent, or, deducting 3 per cent of the value of plant to care for depreciation, 5.83 per cent.[94] The estimated average rate of dividends paid by New England mills from 1889 to 1908 was 7.7 per cent.[95] Such calculations are not fairly comparable, and yet some statements as to earnings of Southern factories will help to give a notion of the relative position of the industry in that section. Experience in the Carolinas showed that mills on all classes of goods made there could have a profit of from 10 to 30 per cent.[96] The same competent observer thought that the average annual net profit of the best mills for the first twenty years of the period was 15 per cent.[97] But assertions vary widely, even considering differences in periods embraced. One with knowledge of the industry believed average profits from 1880 to 1914 were not as high as 10 per cent,[98] while a writer on the subject said that South Carolina investors would have been better off financially had they put their money in real estate mortgages at 7 per cent.[99]

Besides the confusion between profits and dividends, statements as to earnings are difficult of comparison because uniformity of calculation was lacking. A common error was to quote dividends paid on capitalization rather than earnings on total investment. Plant cost of some mills was as much as four times their capital. Dividends might be paid on shares, neglecting large liabilities of stockholders; sometimes, also, gains seemed great because stated in terms of paid up capital only.[100] Even late in the period

[94] U. S. Census of Manufactures, Cotton Manufacture, p. 167.

[95] Copeland, p. 263.

[96] Tompkins, Cotton Mill, Commercial Features, p. 51. That this was true for the smallest as well as the largest plants is verified by the case of the 1000-spindle Fingerville Factory (cf. Blackman, p. 11).

[97] Tompkins, Cotton Mill, Commercial Features, p. 172; cf. Thompson, p. 88.

[98] John W. Fries, int., Winston-Salem.

[99] August Kohn, int., Columbia.

[100] Thirty-five years after the mills around Greenville were founded, plants costing $21.08 per spindle were capitalized at $12.72 per spindle. Dividends on actual plant cost have not been over 12 per cent (W. J. Thackston, int., Greenville; cf. Goldsmith, p. 6).

there was occasion for the advice of a trained manufacturer that all profits not required for dividends be not passed to surplus without providing for depreciation, working capital, and reserve for paying plant debt.[101] A friend of the Southern industry right at the outset sought to discredit the overstatement of promoters of the Clement Attachment that 28⅝ per cent could be made on a capital of $6000, showing that they had included no charges for superintendence, commission and freight, insurance, taxes and wear and tear, and allowed too little for incidental expenses.[102]

Mills in the beginning, from reasons that have been noted—general prosperity of the time, newness of equipment, nearness to raw cotton, cheapness of power and labor, length of working hours, unexploited home market—were extraordinarily profitable. "A cotton factory which is not making money now had better close up at once," it was said in 1880.[103] Two years later it was recited that the Augusta Factory in the previous seventeen years had paid an average of 14½ per cent dividends besides laying aside a surplus of $350,000; Langley for several years had been pay-

"In the old days it took four or five years to pay for the plant if they did not make the mistake of trying to pay normal dividends instead of liquidating this debt" (Benjamin Gossett, int., Anderson). It has even been said that all mills were undercapitalized and started out in debt (Marshall Orr, Anderson; A. N. Wood, Gaffney, interviews). Machinery makers and commission firms, anxious to increase their business, were severely blamed for inducing too great extension without sufficient capitalization, but this writer found the conditions bettering latterly (Law, pp. 19–20).

[101] Tompkins, Cotton Mill, Commercial Features, pp. 83–84. He was appreciative, however, of the wisdom of a surplus to guarantee equality of dividends. It will be noticed later that failure to allow for depreciation was all too common; cf. ibid., pp. 82, 172; Thompson, pp. 88, 67–68.

[102] Daily Constitution, Atlanta, Feb. 20, 1880. For a few of many instances illustrating neglect to offset depreciation, see Blackman, pp. 7, 10, 13. "In no case have we heard of any mill declaring less than 10 per cent annual dividends, and in every case in which only this per cent was declared a large amount was taken from the earnings and used for repairs, additions to machinery and increasing the . . . capacity of the mills" (Baltimore Journal of Commerce and Manufacturers' Record, June 3, 1882). Here, evidently, upkeep and extension were looked to rather than depreciation.

[103] Blackman, p. 12. This was probably Hammett.

ing from 15 to 20 per cent and had an accumulated surplus of $200,000. The Wesson mills in Mississippi had just paid a dividend of 26 per cent, the Troup factory in the same State had paid 24 per cent, and a mill in Tennessee had touched 50 per cent. Such facts were often cited to show that the Southern industry, though young and hampered by untrained management and operatives and lack of capital, was more prosperous than that of the North. A New England estimate was quoted to the effect that fifty leading establishments of that section in the previous five years had paid average annual dividends of less than 7 per cent.[104]

The profitableness of Graniteville was often pointed to; there came to be almost a Graniteville legend in this regard. Dividends under Gregg amounted, in various statements, anywhere from 7 to 12½ per cent. The mill was in bad condition when Hickman became president in 1867, being in debt and paying 12 per cent interest. There is no

[104] Baltimore Journal of Commerce and Manufacturers' Record, June 3, 1882. For minor variations of these statements, cf. ibid., Sept. 2, 1882. There was believed to be room for indefinite expansion of cotton manufacture in South Carolina, "inasmuch as the Carolina mills pay expenses when the New England mills run at a loss, make money when the New England mills only pay expenses and make still larger profits than the New England mills when these pay well (Blackman, p. 19; cf. ibid., statement of Twitchell, p. 11). Cf. Baltimore Journal of Commerce and Manufacturers' Record, Nov. 4, 1882, quotation from Bradstreet's and Manufacturers' Record, Baltimore, Feb. 1, 1883, statement of Hammett. The Boston Commercial Bulletin said: "The advantages of cotton manufacture are with the South decidedly, the profits of the business there having shown an average dividend of 15½ per cent against 7⅞ per cent in the North during the year 1882" (ibid., April 5, 1883). Reviewing the generally unsatisfactory condition of Northern mills from 1890 to 1900, attributed in large part to successful competition of Southern enterprises, it was declared: "Prior to the close of the census year there had been scarcely any interruption of the exceeding prosperity of Southern spinners. They did not curtail production when many Northern manufacturers were in a state bordering upon despair; on the contrary, a large number of their mills were running day and night. They did not seek to dispose of their product by auction, but sold all they could make at prices which gave their stockholders handsome dividends" (U. S. Census of Manufactures, 1900, Cotton Manufactures, p. 20; cf. ibid., pp. 28–29). Cf. News and Courier, Charleston, Sept. 13, 1881, interview with Francis Cogin.

doubt about the improvement that took place—the plant was enlarged and bettered and stock was increased in value.[105]

While competition was slight, mills run in any sort of way made money.[106] Stock in South Carolina mills in 1880 was worth, on the average, more than 125. Exclusive of a Clement Attachment mill, where 50 per cent was made, profits ranged from 18 to 25½ per cent. It was said that in the next year any ordinary factory ought to pay as well.[107] Demonstrated fact encouraged one estimate that spinning mills in the South at large should make 50 per cent.[108] In 1882 "authenticated statistics" were declared to show that investments in Southern mills with good, bad and indifferent management were receiving average dividends of 22 per cent.[109] It was not unusual for mills in these years to make 30 per cent to 75 per cent profit.[110]

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[105] Clark, in South in Building of Nation, vol. v, pp. 324–325; Blackman, pp. 4–5; News and Courier, Charleston, Feb. 23, April 25, 1881; Boston Journal of Commerce, July 29, 1882; Augusta Trade Review, Oct., 1884; Tracy I. Hickman, int., Augusta, Dec. 29, 1916. As to profitableness of Georgia and Alabama mills in the seventies, see Clark, ibid., vol. vi, p. 256; Berney, Handbook of Alabama, p. 271; News and Courier, Charleston, Sept. 13, Aug. 18, 1881.

[106] Benjamin Gossett, int., Anderson. When a new superintendent took hold at a North Carolina mill he found half the looms idle, and yet the plant was highly successful (William Entwistle, int., Rockingham).

[107] Blackman, leading article and pp. 3, 8, 16, 18.

[108] Daily Constitution, Atlanta, March 18, 1880.

[109] Baltimore Journal of Commerce and Manufacturers' Record, June 24. Clark says that investments this year amounted to $10,000,000; this is not surprising when it is remembered that large, well-conducted corporations were paying dividends of 17 to 24 per cent.

[110] Sterling Graydon, Charlotte; William Entwistle, Rockingham, interviews. The Augusta Factory made 17 per cent in six months (News and Courier, Charleston, Aug. 18, 1881; cf. Daily Constitution, Atlanta, Jan. 6, 1880). Other mills made from 26 to 29 per cent (Baltimore Journal of Commerce and Manufacturers' Record, June 24, 1882). Even mills in bad situations and with poor equipment made large sums. A little factory eight miles from the nearest place and hauling over wretched roads paid 25 per cent on the investment; machinery was old, capacity limited and the mill ran only 278 days in the year. Yarns sold at 23 cents per pound cost 2.44 cents to manufacture, and the demand could not be nearly supplied—the total output might have been sold to one man (Blackman, pp. 11–12).

If Vaucluse was the only mill established before 1880 that paid anything in the first year of operation,[111] its record was matched regularly after that date. Twenty-four per cent was made the first year by a Georgia mill, and a Spartanburg company after six months paid a 4 per cent dividend and proposed to increase its capital to $1,000,000.[112]

Without following this subject through remaining years, it may be mentioned that 1882 was in some respects not so easy for Southern cotton manufacturers as the two years previous,[113] and that, though experiencing general alarm and a few disasters in 1884, 1893 and 1896, the industry quickly recovered from these backsets.[114] Following the great activity of mill building which began about 1900, Southern earnings were approximating the low averages of New England plants twenty-five years earlier.[115] With some exceptions,[116] mills did only fairly well through the next decade, and many were in bad condition financially when the advent of the Great War lifted them all into prosperity. The liveliest successes of the eighties were repeated and surpassed. A right new mill at Gastonia with $150,000 capital after a short period of operation paid a stock dividend of 20 per cent and made $155,000 net profit for the year. Generally, mills at this place that did not make 75 per cent were thought poorly managed, numbers made their entire capitalization in twelve months and some even higher.[117] Other localities throughout the South found themselves hardly less blessed; with profits as the

[111] Ibid., p. 6.

[112] Baltimore Journal of Commerce and Manufacturers' Record, June 3, Aug. 26, 1882. For notice of typical factories paying unevenly but averaging about 20 per cent, cf. Blackman, pp. 10, 13, 15; Deutsche Zeitung, Charleston, Feb. 28, 1881; News and Courier, Charleston, Sept. 7, 1881. For some less conclusive references to profits see ibid., Jan. 25, Feb. 26, April 4, 1881.

[113] Manufacturers' Record, Baltimore, Feb. 1, 1883; A. B. Murray, int., Charleston.

[114] Clark, in South in Building of Nation, vol. vi, pp. 281, 284–286.

[115] Cf. Goldsmith, p. 6.

[116] Murphy, p. 16; Law, pp. 23–24.

[117] S. N. Boyce and J. Lee Robinson, G. W. Ragan, C. B. Armstrong, Gastonia, interviews; J. Lee Robinson, letter, Gastonia, Nov. 28, 1916.

incentive, factories sprang up as suddenly and widely as in the Cotton Mill Campaign.[118]

There is a relation between percentage of profit and size of plant. The magnitude of mills, of a part, of course, with degree of concentration of investment, is an interesting subject, indicating differences in development of the industry in various States. It is convenient to compare South Carolina and North Carolina in this regard. Factories of the former State tended to be fewer in number but greater in capacity than those of the latter, and wove as well as spun. Furthermore, the impulse toward cotton manufacturing was felt later in North than in South Carolina. Several reasons may be assigned for these facts. The considerable capital of Charleston, as it had earlier been largely responsible for Graniteville and Langley, later played the leading part in the founding of such mills as Piedmont and Pelzer. These big weaving mills set a standard; also, as has been noticed, Charleston money was a resource to South Carolina local communities pretty generally. North Carolina had no city the size of Charleston; Wilmington was not so good a port and did not possess so much capital available for investment. Little neighborhoods were shut up to their own initiative and means. Moreover, there had always been less social unity in North Carolina; with much Scotch blood, the people were individualists. Most of the time small merchants had to be mill projectors, and this was agreeable, too, because personal control over modest units was preferred to a pooling of resources in the hands of an important capitalist. These things explain, also, why the development commenced later in North Carolina. More people had to be converted than in a State where a few could set a powerful example. Even where North Carolina had weaving mills, these were generally smaller than those of South Carolina. It is to be observed that whereas the principal mill mergers of South

[118] W. J. Thackston, int., Greenville; Literary Digest, N. Y., Dec. 9, 1916; cf. files of all trade papers, especially Manufacturers' Record, Baltimore.

Carolina showed concentration of management, in the outstanding case in North Carolina constituent mills remained semi-autonomous. When a tradition was established, it tended to maintain itself.[119]

With local capital in greater supply in South Carolina, commission and machinery firms were more interested and engineers were more regularly engaged, so large plants were encouraged. In undertaking the development of power and manufacturing at Columbia, it was pointed out by engineers that a 16,000-spindle mill would cost $27 per spindle and yield 17 per cent profit; plant cost would be proportionately less if equipment was 20,000 spindles and the complement of looms, and earnings should be 21 per cent; 26,000 spindles ought to bring earnings of 25 per cent.[120]

Later, a conscious, concerted movement toward mills, lifting spindleage above the 30,000 point, in which North Carolina patterned after South Carolina, was typified in the erection of the great Olympia plant at Columbia. The animating spirit was evidenced by a speaker before cotton manufacturers in 1903: "I believe thoroughly in organizations of such magnitude that will justify the employment of the very best skill to be obtained in systematic management." There was much to be saved in purchase of supplies and materials. "A weakly fitted up mill under poor management is worthless; the same mill under good management is even then sadly handicapped." But merger with

[119] David Clark, Hudson Millar, Charlotte; E. A. Smyth, Greenville; Charles E. Johnson, Raleigh; W. K. Boyd, Durham, N. C., Sept. 18, 1916; J. A. Chapman, Spartanburg; J. H. M. Beatty, Columbia, interviews. Georgia was much like South Carolina. Speaking of the limitations of North Carolina, it was said: "Our people hadn't the money; they all had to scratch to get anything to put into cotton mills, and then it wasn't much" (W. R. Odell, int., Concord).

[120] News and Courier, Charleston, April 13, 1881; cf. Law, p. 19. As early as 1883 South Carolina had several mills which would be ranked as large even today—four companies with capitalization of half a million or more, with others of size (cf. Manufacturers' Record, Baltimore, Jan. 18, 1883). There were, of course, mills as small as any in North Carolina, but these dated from previous years (cf. as to Valley Falls and Reedy River, the former of only $5000 capital, Blackman, pp. 11, 13).

other plants would bring increased financial facilities. "The tendency to concentrate and build mills with a larger number of spindles than formerly is a move in the right direction."[121] But it was soon learned that very large separate mills and close mergers of several plants were of uncertain success, disadvantages more than offsetting advantages.[122] Small, isolated plants bought local cotton at a saving and paid no higher commissions on product; some could burn wood; operatives were few and individually known; a superintendent could be developed from the working force and did well enough on a limited number of standard yarns; living in a small place was cheaper.[123] Time has

[121] "The record of the past three years shows a large number of plants erected in the South of from 25,000 spindles up to that grand specimen of push and enterprise—the Olympia Mills—which has 104,000 spindles in one mill and all in one room" (see Southern Cotton Spinners' Assn., proceed. 7th Annual Convention, address of E. W. Thomas, p. 149 ff.). Cf. Clark, in South in Building of Nation, vol. vi, pp. 287–288. Greenville had the example of the success of such large mills as Pelzer as contrasted with the smaller Huguenot and Camperdown factories; there was the strong impression that individual mills of limited size were not easily financed (Clement F. Haynsworth, int., Greenville). "The Loray Mill in Gastonia was built about the same time as Olympia; small mills had succeeded, and they thought big ones would succeed even better" (S. N. Boyce and J. Lee Robinson, int., Gastonia).

[122] "Attention is being paid to the danger of having too large units, the prevailing opinion in the South being that no special economies from increased size are obtainable after say 50,000 to 60,000 are reached. A notable disaster to stockholders and near-disaster to creditors in recent years has taught the lesson that an unwieldy combination of plants scattered geographically has no advantage, through concentration of purchasing or selling, that can possibly offset the diminution of the personal equation in relations with employees or scrutiny of details, usually given by the executive in charge of smaller units" (Law, p. 19; cf. Tompkins, Cotton Mill, Commercial Features, p. 55). The promoter of the chief amalgamation in South Carolina believed he would save in overhead expense; the main benefit was in financing, for much money was offered at 3 per cent when the merger went together, whereas the individual mills had never borrowed at less than 5 per cent. Any other savings were more than counterbalanced by expensively lax supervision. Failure resulted (J. H. M. Beatty, int., Columbia). In the principal North Carolina chain, while ownership is virtually identical, each mill has its own directors and must stand on its own bottom financially. Some economies of combination are deliberately sacrificed to maintain efficiency of superintendence (James W. Cannon, int., Concord).

[123] Cf. Thompson, p. 90 ff.

taken away some of these benefits, but the best present opinion is that well situated units of about 10,000 spindles are most economical.[124]

There was little buying and selling of mill stocks in the first part of the period, and for several reasons. Factories were so often looked upon as family affairs, part and parcel of the communities which established them. Local subscribers, small and large, put in their money as an investment, and most of those who could purchase shares did so at first. Mills were successful, moreover, and brought dividends. To outsiders the industry was an experiment; private investors were not attracted. There were few agencies in the South for handling the securities. Consequently, notices of value of stocks usually meant really book value.[125]

It has been seen that in 1880 the shares of South Carolina mills were reported as being worth on the average $125. Three years later all were above par except five, which were at par; Langley was highest, selling at $173.[126] The stock of the Wesson mill in Mississippi, paying 26 per cent dividends, stood at more than 300.[127] Shares in the Merrimack mills, in Alabama, par value $1000, sold for $1620.[128]

[124] Building since 1914 has shown this. "I had rather run four mills of 10,000 spindles each than one of 40,000 spindles" (C. B. Armstrong, int., Gastonia). This would have to be modified some in the case of cloth mills.

[125] "The stock of the company sold for $63 a share in 1867, and now is quoted at $123. Even this figure is not a fair estimate of what it is worth because nobody wants to sell. I could go in the market tomorrow and run it up to $130, or even $150, just by offering that for it. This is not what we want, however" (Hickman, of Graniteville, quoted in Blackman (1880), p. 4. A Rockingham mill has been owned by the same stockholders for the forty years since its establishment (Charlotte News, Textile Ed., 1917, as to Roberdell Mill No. 1). Stock in the first mill at Salisbury could not be bought; 60 per cent of it was owned by women who received it by inheritance (O. D. Davis, int., Salisbury). Where there was a market at the opening of the period it was local, mills taking charge of their own sales (Tracy I. Hickman, Augusta; William Entwistle, Rockingham, interviews).

[126] Manufacturers' Record, Baltimore, Jan. 18, 1883. The stock of Graniteville and Vaucluse had climbed to 170. For similar facts as to Augusta factories, cf. Baltimore Journal of Commerce and Manufacturers' Record, Sept. 2, 1882; News and Observer, Raleigh, Nov. 16, 1880.

[127] News and Courier, Charleston, Jan. 14, 1882.

[128] Observer, Raleigh, Aug. 26, 1880.

Besides the usual causes, Southern mill stocks have varied in value because the business was subject to sharp fluctuations, companies were irregular in providing surplus to insure constant dividends and in offsetting depreciation,[129] skill in management was so largely hit-or-miss, commission firms sometimes interfered hurtfully and, as will be remarked, machinery makers dumped their shares in large blocks. Pacolet once had to alter its product and so its machinery; preferred stock was issued and common fell from 300 to below par.[130] Within two years after a commission firm had gained control of a South Carolina mill following a fight with local stockholders, shares that had been at 175 dropped to par.[131]

An active market for the stocks developed in Charleston about 1890 and in the up-country somewhat later. A good many brokers made a specialty of these securities. The business was assisted by machinery builders disposing of their holdings at concessions. One firm handled in one year about $2,000,000 worth of securities thus thrown on the market.[132] Charlestonians had been heavy subscribers to new ventures in the State, but about 1900 stopped because they could buy at less than par.[133]

The financial history of Southern mills has exhibited physical differentials becoming less and less important, and skill in management becoming more and more important. Atkinson's admonition that success in cotton manufacture meant a small margin of profit on a large capital was, after

[129] Cf. Tompkins, Cotton Mill, Commercial Features, p. 85.

[130] A. N. Wood, int., Gaffney. Stock in Graniteville and mills at Augusta, which earlier led the field, went far below par (Tracy I. Hickman, int., Augusta).

[131] W. W. Ball, int., Columbia, Jan. 3, 1917.

[132] W. J. Thackston, letter, Greenville. When machinery manufacturers were taking part payment in stock, equipment was in great demand and high in price. Makers could therefore sell their shares quickly at 50 cents on the dollar and still make money (Washington Clark, int., Columbia). Commission men, retaining their shares, sometimes made money; a firm that took stock when it received the agency of a mill and offered to sell at 50 later succeeded in selling at 300 (Walter Montgomery, int., Spartanburg, S. C., Sept. 5, 1916).

[133] W. W. Ball, int., Columbia, Jan. 3, 1917.

all, of only delayed applicability in the new industry.[134] At the opening of the period, as has been seen, "they didn't run mills, but just put them up and they made money. Long hours of labor and low wages made the difference between that time and this. But old superiorities have passed. Mills that stayed in the old rut went to the wall. It is necessary to *operate* mills in the South today."[135] Management of investments in land and negroes was not the best equipment for industrial control. As the South had grown a staple commodity, raw cotton, and grew too much of it, so it manufactured staple cotton goods, following the impulse mechanically.[136] Inexperienced men founding the industry in 1880 made money; the same type entering the business twenty years later, as at Bessemer City, found they could not exist.[137] By this time, in the same mill in which average management would yield 10 per cent profit, superior management might bring 25 per cent and inferior operation a loss of 5 per cent.[138] The margin between the price of middling cotton and of print cloth made from it between 1881 and 1910 worked down, though not without great irregularity, from 108.52 to 59.24.[139] And

[134] Cf. News and Courier, Charleston, Dec. 5, 1881, and the writer's "Factors in Future of Cotton Manufacture," in Manufacturers' Record, Baltimore, May 10, 1917.

[135] W. J. Britton, int., Spartanburg. Social position and good intent too often had to serve in place of industrial ability, though after 1880 there were few instances approaching an episode during the Civil War, when, at reorganization of an Augusta mill, a governor was given $100,000 in stock for his influence as a director (Charles Estes, int., Augusta). Often general capability, disregarding accustomed financial methods of corporate undertakings, succeeded through sheer force, but in other cases a slump in the business would take enterprises out of the hands of the original management (Chronicle, Augusta, Jan. 28, 1886; Henry E. Litchford, int., Richmond, Aug. 29, 1916).

[136] Landon A. Thomas, int., Augusta. Initiative in the trend toward closely supervised plants making specialty products, already appearing, is fundamentally a problem of the common school, awakening public intelligence. Cf. Georgia Industrial Assn., proceed. 4th Annual Convention, pp. 46–47.

[137] S. N. Boyce and J. Lee Robinson, G. W. Ragan, Gastonia, interviews.

[138] Tompkins, Cotton Mill, Commercial Features, p. 173.

[139] Copeland, appendix, p. 394.

training gained in manufacturing has made apparent a lack of development of commercial attributes which are as necessary a part of the mill man's equipment.[140] There has been a gradual evolution from first projectors, who were really transplanted slaveholders, through a somewhat later group composed of business and professional men, to the newer type of manufacturers who conceive it their work to make money on fabricated product and not in speculation on raw cotton or any other gamble, who are not afraid of competition with New England and the world, who relish technical information and know they had better manage a few plants well than many poorly.[141]

A qualified observer has said that in the Southern industry the total losses on an investment of $100,000,000 have not amounted to 20 per cent, and that this is remarkable when it is remembered how few managers began with knowledge of the business.[142]

Gregg assigned five main causes of failure of mills in South Carolina in his day. These were injudicious selection of machinery and character of goods to be made, lack of steady and cheap motive power, poor location, lack of moral training of operatives, and want of sufficient capital.[143] The first and last of these reasons are the only ones

[140] See Georgia Industrial Assn., proceed. 4th Annual Convention, address of J. J. Spalding, pp. 46–47.

[141] Cf. the writer's "Factors in Future of Cotton Manufacture," in Manufacturers' Record, Baltimore, May 10, 1917; Tompkins, Cotton Mill, Commercial Features, pp. 30 ff., 63; Plan to Raise Capital, p. 18; J. H. M. Beatty, Columbia, Jan. 3, 1917; Landon A. Thomas, Augusta; Joseph H. Separk, Gastonia, interviews. It is true that in this process young men technically trained have not yet made themselves available for large leadership, so that others without their advantages are still called upon (W. W. Ball, int., Columbia, Jan. 3, 1917).

[142] W. J. Thackston, int., Greenville; cf. Law, p. 18. There is some truth in a statement that as a rule the local investor has not made much on dividends, but has received, with everybody, a large indirect, social benefit from the establishment of the industry (M. L. Bonham, int., Anderson). Small local shareholders, if dividends did not begin promptly, sometimes sold, very often to the mill promoter (J. W. Norwood, int., Greenville).

[143] Quoted in Kohn, Cotton Mills of S. C., p. 18.

that may be said to have held in the later period.[144] Misfortunes following untrained management were not mentioned by Gregg, probably because he could not foresee competitive conditions that were to come.

It has been remarked that a good many mills were sold just prior to the opening of the Cotton Mill Campaign. Some of these were old factories that had been run down, or their owners had died; either they failed, or were bought up when the industry was receiving renovation and there was a demand for plants that could be improved.[145] The mills sold in the eighties were decidedly exceptions.[146] However, 1884 saw losses and partial shut-downs while debts accumulated. Graniteville went backward for the first time in seventeen years. Recovery in special cases was the slower because mills were just launching out.[147]

Surrounded by cotton, the price of the raw material playing so large a part in coarse goods manufacture, and having some capital at their disposal, the temptation for mill executives to speculate in the staple has been an evil. Two men worked together in promoting manufactures at Gastonia; one was content to make or lose as a spinner, and succeeded, while the other after a time counted too heavily on his skill in manipulation of cotton deals and met with disaster. About 1900 the stock of an excellent South Carolina mill went to 150, and the promoter erected a second large plant. With good credit, mill president and town were ruined in two years; he gambled in cotton and the

[144] Old machinery was always a bad bargain, but when it was bought the mills were making money and soon could scrap this equipment and profit by the experience; standard goods were manufactured and, as will be noticed presently, losses on these were because of sudden change in the market rather than through mistaken choice of product.

[145] Cf. Blackman, p. 12.

[146] Cf. Savannah Morning News, July 7, 1882. The Charleston factory changed hands at a loss totalling $499,000 (Bird Memoranda).

[147] Cf. Chronicle, Augusta, May 28, July 29, 1884; Jan. 29, April 23, 1885; Jan. 28, March 10, 1886, and other clippings arranged in the Raworth Scrapbook; there are printed reports of the president of the Sibley mill dated April 28, 1886, and Oct. 23, 1888.

market went against him.[148] A sympathetic critic of the Southern industry has said that "The principal occasion of financial disaster . . . has been that of speculation. It is true that in some instances this has been merely the final plunge of desperate unsuccessful management. In other cases, however, both directors and stockholders have known that earnings greater than possible from legitimate manufacturing were being shown. They winked at the excessive profits and deserved little sympathy when they sustained losses."[149]

There has been little fraud on the part of mill men. In the beginning there could scarcely have been any, so intimately were communities acquainted with the enterprises.[150] The scandal in the great Parker merger recently has been the conspicuous exception; the experience did much to turn favor away from closely centralized financial control. This failure was a moral blow not only to the industry, but to the section.[151]

Another cause of failure has been payment of too high salaries, with extension of plant to make these seem plausible. Also, superintendents have been accused of receiving commissions on machinery and supplies bought by them.[152]

[148] Cf. Columbia Record, Textile Ed., 1916, respecting Union and Buffalo mills.

[149] Law, p. 21 ff. "Profits thus obtained are absolutely demoralizing to efficiency in management or the working out of small economies—the legitimate source of success—and are hurtful to the general industry, in that they create fictitious costs, apparently justifying sales of product at really destructive prices. . . . My belief is that the cotton manufacturer who now indulges in such speculation is the exception." There have been examples of what might be called speculation in finished product, too. A gingham mill at Rock Hill had been operating successfully; the market dropped, but prospects were thought to be good and cloth was stored in warehouses until it represented a value greater than the capitalization of the company. The style in ginghams changed, and the plant had to be sold (cf. Columbia Record, Textile Ed., 1916).

[150] There seems to have been allegation of fraud in the case of the small Fork Shoals factory in 1881. This was an old and isolated mill (cf. News and Courier, Charleston, April 23).

[151] W. J. Thackston, int., Greenville.

[152] Charles Estes, int., Augusta. In the case of one Augusta mill, it is alleged, the president did not inspect matters narrowly; the

Extensions involving debt, especially from the nineties forward, were a source of misfortune. The Gaffney mill after three profitable first years built a warranted addition, but then followed a big new plant and a finishing mill that saddled the company with obligations under which it could not succeed, business being depressed.[153]

Coleman's mill at Concord, not unnaturally for a first enterprise by negroes, was badly managed and became in debt to local capitalists, who foreclosed.[154] Everyone had been willing to lend to the reliable Graniteville mill without anxiety as to payment of principal, until suddenly creditors became solicitous for their money, precipitating reorganization of the company in 1915.

Though there is complaint that too many mills were built in a short period, so that profits fell away,[155] it may be concluded that where enterprises have not succeeded their difficulties have been due to untrained management and lack of capital rather than to untoward conditions or limited opportunities in the industry.[156]

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superintendent would send certified bills to him and he would make out New York checks for the amounts, the superintendent getting his benefit from such payments.

[153] L. Baker, int., Gaffney. The Laurens mill borrowed $150,000 to give the plant 30,000 spindles and other enlargements ensued and contributed to embarrassments of the company later. Whaley in Columbia built the little Richland mill and then Granby, and both did well. Then he proposed to build the greatest mill on earth under one roof, and exhausted the credit of his previous factories (W. W. Ball, int., Columbia, Jan. 3, 1917). "Many mills were built with a debt of $10 per spindle [the average cost being about $20], believing they could pay up in a few years at the high earnings of $4 or $5 per spindle. Many of these were caught with big debts and declining earnings" (Summerfield Baldwin, Jr., int., Baltimore).

[154] Charles McDonald, int., Charlotte.

[155] James D. Hammett, Anderson; Mrs. M. P. Gridley, Greenville, interviews.

[156] Julius Koester, H. R. Buist, Charleston; Thomas Purse, Savannah; August Kohn, Columbia, interviews.

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THE INTERNATIONAL MOLDERS UNION OF NORTH AMERICA

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Under the Direction of the
Departments of History, Political Economy, and
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THE INTERNATIONAL MOLDERS UNION OF NORTH AMERICA

BY
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TO

MARGARET STANSBURY STOCKTON

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PREFACE

While the writer was a graduate student at the Johns Hopkins University, he wrote a monograph on the closed shop in American trade unions. This work led to a desire to study a single representative American trade union with respect to all its policies and problems. Largely upon the advice of Professor George E. Barnett, the Molders' Union was selected for investigation.

A considerable part of the present volume has been published in installments in the International Molders' Journal. Parts of two articles which were published originally in the Journal of Political Economy: "Agreements between American and European Molders' Unions," and "The Molders and the Allied Metal Trades," are here reprinted. The writer wishes to express his appreciation of the courtesy shown by the editors of these journals in permitting him to use these articles.

The writer is indebted to all of the national officers of the Molders' Union for many helpful suggestions. In particular he wishes to express his appreciation for the interest, encouragement, and ready assistance he has received at all times from Editor John P. Frey. In preparing the manuscript for printing the writer has received valuable help from his wife.

F. T. S.

10

THE INTERNATIONAL MOLDERS UNION OF NORTH AMERICA

CHAPTER I

The Rise of the Early Local Unions

In America the iron molding industry "can hardly be said to date back farther than the year 1820," although several scattered foundries existed before that time.[1] By 1830 the number of establishments had greatly increased and many journeymen were employed at such centers as Albany, Troy, Philadelphia, New York, Taunton, and Pittsburgh. Hollowware was originally the chief product, but stoves and machinery soon came to be important parts of the general output.

The working hours of the early molders were long and indefinite. Heats were frequently run all day and all night, Sundays included, because the cupola as yet had not been introduced. Workmen casting at night often slept beside their furnaces. In some instances molders were required to furnish tools and facing materials, and frequently were compelled to pay for broken or damaged patterns. Wages were low. Payment was made partly in money and partly in store orders, truck, and due bills. In some sections molders were fined for reporting late, but were given nothing extra for overtime.

It is not remarkable that labor organized for its protection when such conditions prevailed. The date of the formation of the first local union of molders cannot be ascertained with certainty from existing records. It is clear, however, that an "Association of Moulders" existed in Philadelphia as early as 1833. On November 14, 1833,

[1] Iron Molders' Journal, October, 1888, p. 2.

the Philadelphia Trades' Union was organized. In an "Address to Mechanics and Working Men" which appeared in the Pennsylvanian, January 9, 1834, it was stated that "the Moulders" were among the "Trades and Societies . . . represented in the Union."[2] In April, 1836, the Iron Molders were reported as having made a donation of ten dollars to the Trades' Union. As other organizations contributed from fifty to three hundred dollars, it is likely that the molders had a comparatively weak union. The chief purpose of the association was doubtless that of trade regulation.

In March, 1834, the Iron Founders were among the fourteen societies sending delegates to the General Convention of the Trades of Boston.[3] In February, 1835, delegates from the Albany "Founders, Machinists and Millwrights" participated in a meeting of "mechanics' associations" to form a General Trades' Union for Albany and vicinity. In 1836 the Founders and Machinists were still represented in the Union. It seems quite likely that the "founders" of Troy and Schenectady were also organized in 1835. On March 1, 1836, the United States Iron Molders' Association of the City of Pittsburg and the County of Allegheny was instituted.[4] All of these unions were brought into existence by "hard times" and they disintegrated with the passing of economic depression.

By 1848 business conditions had again become bad, and at the same time a great increase had taken place in European immigration. Wages fell, foundries closed and unemployment followed. To meet this situation the molders first tried productive cooperation. In the fall of 1847 the Cincinnati stove-plate molders struck against a cut in wages. When the strike failed, they formed the Journeymen Molders' Union Foundry. This enterprise succeeded

[2] Reprinted in Commons and Sumner, Documentary History of American Industrial Society, vol. v, pp. 341, 348.

[3] Ibid., vol. vi, p. 90. Reprinted from The Man, March 12, 1834, p. 3.

[4] International Molders' Journal, November, 1908, p. 757.

for a few years, but finally failed. That a trade union was formed at this time seems doubtful. The term Union in the name of the foundry probably meant nothing more than "cooperative." In November, 1849, a cut in wages led to a strike by unorganized Pittsburgh molders who later established cooperative foundries at Wheeling, West Virginia, Steubenville, Ohio, and Sharon, Pennsylvania. These concerns maintained their cooperative character only for a brief period and it became necessary for the defeated strikers to return to their old jobs.[5]

The next experiment tried by the molders was the formation of friendly and beneficial societies. On June 25, 1849, the Friendly Society of Iron Moulders of America was formed in New York City. "This organization, like others of its type in other cities, was conducted largely as a mutual insurance association, having provisions for sick and death benefits, but paying little attention to protective or restrictive trade regulations."[6] In 1850 the New York molders sent a delegate to the Workingmen's Convention, or Industrial Congress, held by forty-three local benevolent and protective societies.[7] On August 19, 1854, they obtained a charter under the New York law of 1848 providing for the incorporation of benevolent, charitable and missionary societies. The corporate name adopted was that of The Journeymen Iron Moulders' Society. The "particular business and objects of said Society" were declared to be "to promote the mutual benefit and encourage UNION among the members and associates . . . and to administer BENEVOLENT aid to the unfortunate members thereof."[8] From this it would appear that the society considered "union" quite as important as "benevolent aid."

After 1850 a change in emphasis from fraternalism to

[5] H. E. Hoagland, "The Rise of the Iron Molders' International Union," in American Economic Review, June, 1913, pp. 297–299.

[6] Ibid., p. 299.

[7] Commons, Documentary History of American Industrial Society, vol. viii, p. 285. Reprinted from the New York Semi-Weekly Tribune, June 5, 1850, p. 7.

[8] From original charter preserved at the Cincinnati headquarters.

trade unionism took place in the molders' societies. An era of rising prices began and increases in wages were demanded. In the fall of 1852 seven Cincinnati molders formed a temporary organization which, on January 3, 1853, became the Moulders' Association. The society "was a secret order whose sole object was the promotion of fraternity among fellow craftsmen and their protection as mechanics. . . . The young organization filled a popular want and it grew apace." Its militant character is clearly evidenced by the inscription placed upon a banner devised as an emblem "round which the members might rally." This read: "Moulders' Association. Wielding a strong arm in the Mechanics' Legion, we stand united for our rights."[9] According to tradition, the association did not hesitate to wield its "strong arm" for higher wages and better conditions whenever deemed expedient, and the benevolent features were of secondary importance. A second local union of this period which had a militant character was the Journeymen Iron Moulders' Association, Section No. 1, of the State of Pennsylvania. This society, organized at Philadelphia early in 1853, had as its main object an increase in wages.[10] The years 1853 and 1854 proved to be so prosperous for laborers, that interest in organization declined and the association soon passed out of existence.

In the winter of 1854–1855 a business depression occurred. Employers found themselves burdened with excess stocks. Workmen were laid off and a period of unemployment set in, which lasted well into the year 1855. Taking advantage of the trade depression, foundrymen began to reduce wages. The Philadelphia stove and hollowware manufacturers instituted a series of reductions. On May 16, 1855, they gave notice of a reduction of fifteen per cent. The immediate result was the formation of a new association in Philadelphia which later became Local Union No. 1 of the International Union. This organization still lives and

[9] Iron Molders' Journal, November, 1897, pp. 503–504.
[10] Hoagland, p. 300.

holds the honor of being the oldest local union in the industry with a continuous existence.

Joseph A. Barford, a molder employed in Liebrant and McDowell's foundry, headed the revolt and thus became "the father of No. 1." The story as described in his own words follows:

> The burden became unbearable and the worm at length turned. Smarting under a sense of injustice done me one day, I threw my rammer into the sand heap and with a terrible oath, swore I would not make another mold at such prices. I was the first man to do this and in the light of subsequent developments, base my claim to being the oldest union molder upon my action that day. James Horn was my partner that day, and I asked him if he would stay with me. He said, yes; I then went to every man in the shop and all but two agreed to make common cause.[11]

Other shops were then notified of the plan to force an issue. Their cooperation was secured, a meeting was held, and shortly afterwards a strike was called in all but one of the stove and hollowware shops. At the end of ten weeks the firms granted an increase.

On June 16, 1855, the temporary organization formed for conducting the strike gave way to a permanent union, known as the Journeymen Stove and Hollow-ware Moulders' Union of Philadelphia. In its constitution the union stated that it proposed to secure "the elevation of the position, the maintenance of the interest of the Craft, the regulation of prices, and all other things appertaining to the Foundry business, in which the interest of the molders under its jurisdiction may be involved."[12] Provision was made for limiting the number of helpers and apprentices, but the main interest of the union lay in the preservation of a fair rate of wages.

In 1857 a molders' union was formed at Dayton, Ohio, which existed secretly for some time. In 1855 a union was formed at Reading, Pennsylvania, which disbanded within a few months. In the same year a union of brass molders,

[11] Iron Molders' Journal, March, 1902, p. 129.

[12] Journeymen Stove and Hollow-ware Moulders' Union of Philadelphia, Constitution and By-Laws, 1855, art. 1, sec. 2. The constitution was signed by ninety-seven charter members.

finishers, grinders and brass foundry employees was organized in Chicago. It had a short and uneventful life. On April 28, 1858, a local union was organized at Troy, New York, as the result of the work of five or six molders who had been holding secret meetings for over a year. The chief objects of the union were to maintain prices, to abolish individual contracts, and to discontinue the employment of helpers. On February 9, 1859, a molders' union was formed at Worcester, Massachusetts, and on June 2, 1859, there was organized the Journeymen Iron Molders' Union of Buffalo, composed chiefly of "stove-platers." On March 10, 1859, a union was formed at Albany by stove molders as a result of the low wages and the "rules and obnoxious conditions" growing out of the panic of 1857. The molders of Waterford, New York, were on strike in May, 1859, but there is no direct evidence that they had a union.

Data concerning all the local unions formed prior to July 5, 1859, is unobtainable. We do know, however, that on that date the molders were organized in Philadelphia, Cincinnati, Buffalo, Troy, Albany, Peekskill, Utica, Port Chester, Stamford, Providence, Worcester, Jersey City, Baltimore, Louisville, St. Louis, Wilmington, Delaware, and in two or three Canadian cities.

The history of the early unions may be summed up by saying that, except for their fraternal features, they had their rise in specific grievances such as cuts in wages and abuses of the helper system. For the first twenty years of organization they were stormy-weather affairs which disappeared with the sunshine of prosperous years. From 1855 onward, however, they began to enjoy a permanent existence and to keep watch over all the industrial interests of their members.

CHAPTER II

The Founding of the International Union

The panic of 1857 gave rise to conditions in the molding industry which were very similar to those which caused the first unions to be formed. Wage reductions took place and the journeymen were subjected to many "odious rules" relating to contracts, helpers, tools, rental of molding floors, payment in truck and the like. Against the evils of the day the individual local unions were able to make but little progress. Heavy decreases in membership during 1857–1858 continually threatened them with disruption. In 1857 the Philadelphia union was able to prevent a wage reduction, but severe defeats were suffered by the unions of Albany, Port Chester, and Providence in 1859 when they struck to secure the payment of wages in cash, apprentice restriction, and the restoration of 1856–1857 prices. The loss of these battles was due partly to lack of funds and partly to the ease with which the employers secured strike-breakers from near-by towns. Since many of the "scabs" came from places where other local unions existed, and since the individual unions were financially weak, the importance of securing some cooperation between the scattered organizations became manifest.

Another factor in combining the local unions was a threatened combination of employers. During the Albany strike of 1859 the foundrymen of that city organized to resist the demands made upon them and they proposed to employers in other cities the formation of a militant Founders' League. While some of the interests approached were favorable to the movement, the Philadelphia foundrymen, who seem to have had an association of their own, opposed it, feeling that they were strong enough to cope with the local situation without entering into entangling

alliances. Owing to the influence possessed by the Philadelphia element, the project was abandoned.[1] The mere suggestion of such a combination, however, must have made the journeymen realize their helplessness as long as the local unions remained separate.

In 1853 and 1854 the local unions first began to correspond.[2] Letters written at this time were the real beginnings of national organization. By 1858 the Troy and Philadelphia unions, especially, were in active contact with each other. In 1859 Troy voted to affiliate free of charge any molder who presented a paid-up card from the Philadelphia union.[3] During the early part of 1859 the Troy molders also visited or corresponded with the local unions of Albany, Peekskill and Port Chester. On May 19 they donated fifty dollars to a group of molders on strike at Waterford. It is important to observe, finally, that when the Journeymen Iron Molders' Union of Buffalo was formed in June, 1859, it adopted a constitution similar to that of the Philadelphia union. Beyond all doubt there "had been close communication between the molders of the two cities."[4]

The strongest local union in the late fifties was that of Philadelphia. Its leading spirit was William H. Sylvis. On April 10, 1858, at Sylvis's suggestion, the Philadelphia body opened active correspondence with molders' organizations in other cities. On December 14 it appointed a committee, of which Sylvis was made secretary, which addressed a circular to all known unions, pointing out the desirability of a general convention. Since the replies to the circular uniformly favored some plan of cooperation, the committee on June 15, 1859, issued a call for a convention to meet at Philadelphia on July 5.

When the convention assembled there were in attendance

[1] Iron Molders' Journal, November, 1888, p. 2. According to one statement the Albany employers were organized as early as 1856 (Ibid., March, 1877, p. 306).
[2] Hoagland, p. 300.
[3] Minutes, MS. Troy local union, February 17, 1859.
[4] International Molders' Journal, November, 1911, p. 850.

thirty-two delegates representing twelve local unions.[5] Louisville and Stamford did not send delegates, but forwarded letters pledging their support to whatever measures might be adopted. After three days' deliberation the convention adopted a provisional constitution for a "National Union of Iron Molders." In the preamble it was boldly advanced that "in the formation of a national organization, embracing every molder in the country, a union founded upon a basis broad as the land in which we live, lies our only hope." The constitution itself, however, left the National Union little more than a weak advisory organization, or an alliance of individual units. It was provided that the National Union should "possess original jurisdiction in all matters pertaining to the fellowship of the craft in the United States," and that it should "be the ultimate tribunal to which all matters of general importance to the welfare of the members of the different unions shall be referred and its decisions thereon shall be final and conclusive." To it was also reserved "the power to determine the customs and usages in regard to all matters pertaining to the craft."[6] A "union card" was established for use by traveling members whereby they were to be admitted free of charge to all affiliated unions. Semi-annual reports were required of the locals, very moderate imposts were levied for the support of the general organization, and it was voted that any local which refused to abide by the "laws and decisions" of the national union should be expelled. The convention also raised funds for the prosecution of a strike in progress at Albany.

The first convention adjourned to meet again in six months' time at Albany. At the second meeting, which began January 10, 1860, there were present 46 delegates representing 17 local unions. On January 11 it was for-

[5] Delegates were distributed as follows: Philadelphia, 10; Troy, 5; Albany, 5; St. Louis, Jersey City, and Providence, 2 each; Utica, Wilmington, Peekskill, Port Chester, Cincinnati, and Baltimore, 1 each.

[6] Proceedings, 1859, p. 9.

mally adopted, on motion of Sylvis, "that this convention does now resolve itself into a national union."[7] Thus, while July 5, 1859, is accepted by the Molders as their birthday, the general union as such was not established until 1860 when the provisional constitution of the year previous, with minor amendments, was officially accepted. Little other business of importance was transacted at this convention save that of ordering the publication of a quarterly report.

When the third convention assembled in 1861, 44 organized local unions were reported, a gain of 26 in one year. Only 42 delegates, however, were present. It was decided to number the local unions according to their seniority, Number 1 going to Philadelphia. Attention was also given to improving the machinery of the union. An international aspect was given the convention for the first time by the seating of delegates from the Canadian cities of Quebec, Toronto, Hamilton and Brantford.[8]

Hard upon the heels of the encouraging 1861 session came the Civil War. Hundreds of molders enlisted. Among those who volunteered for service were many of the national leaders, including Sylvis. The national union, deprived of its chieftains and a large per cent of its members, "almost ceased to exist" after May, 1861, and the end of that year "saw the work of the previous three years nearly undone."[9] Many local unions rapidly disintegrated as their members left for the front. So hopeless was the situation that there was not even a call for a convention in 1862. Among the few local unions which survived the first year of the war was the Philadelphia union, which, by a hard struggle, had been able to accumulate a small fund in its treasury. About the middle of 1862 Sylvis returned from the army and once more he took charge. At his

[7] Ibid., 1860, p. 2.

[8] Six Canadian unions were formed in 1859, the four mentioned, together with unions in Montreal and London.

[9] International Journal, April, 1874, p. 322; Iron Molders' Journal, February, 1889, p. 6.

suggestion the Philadelphia union appointed a committee to canvass the other surviving unions as to the desirability of calling a convention. The local unions all returned favorable replies to the convention circular. Accordingly, the Philadelphia union sent out a call for a meeting to be held at Pittsburgh on January 6, 1863.

Twenty-one delegates representing fourteen unions attended the convention. The session began literally without a head since not a single national officer was present. The great services of Sylvis were recognized by his immediate election to the presidency. From the day of that vote the Molders entered upon a new era. Under the leadership of Sylvis the constitution was largely rewritten, so far as those clauses dealing with the powers of the "general" union were concerned. These powers were enlarged and more clearly defined. The language of the constitution was altered to suggest that the general body was not so much the creature of the locals as it was their sponsor and controller. True, certain powers were spoken of as being reserved to the local unions, but these powers, as evidenced by subsequent developments, were not exempt from the encroachments of the general union.

The all important problem which confronted the Union was that of organizing the workers. Evidently this task could best be accomplished through the International Union,[10] but this organization was handicapped by lack of funds. What was done, therefore, was to authorize Sylvis to devote six months to visiting every locality where there had been a local union or where there were enough molders to form such a body, and to pay his own way the best

[10] As noted above, the first name assumed by the general organization was that of the National Union of Iron Molders. In 1861 the name was changed to the Iron Molders' Union of America in order to recognize the Canadian locals. In 1863 the name of the Iron Molders' International Union was assumed. In 1874 the title became the Iron Molders' Union of North America. In 1907 the name now used, the International Molders' Union of North America, was assumed to give adequate expression to existing trade and territorial jurisdiction. The central organization will hereafter be spoken of as the International Union.

he could. On February 3, 1863, Sylvis accepted the heavy responsibility placed upon him and started out upon the "tour of experiment." His old union, No. 1, gave him $100 for his initial expenses. From time to time other local unions, as he visited them, contributed to his support. When he ran out of cash altogether he secured his transportation and living like a tramp. He covered the entire country as far west as St. Louis, except the states in rebellion, and visited some of the local unions two or three times. By his personal efforts all of the existing unions were strengthened, sixteen were reorganized and eighteen new ones were added.[11] Thus at the close of the year the Molders could boast once more of a vigorous and healthy organization, fifty local unions strong. For this remarkable accomplishment alone, if for no other reason, Sylvis became entitled to the distinction of being the greatest labor leader of his period.

In spite of the loss of an important strike at Philadelphia in 1863, the Union continued to make rapid progress during the next four years under the energetic leadership of Sylvis. In 1866 it was even strong enough to weather a general lockout which began at Troy and Albany, and spread westward. About 1,800 men were involved in this difficulty, which was the consummation of the organized employers' opposition that had been gradually growing since 1861. On July 27, 1868, Sylvis suddenly died. His loss was so unexpected and so seriously felt "as almost to produce a panic in the organization." Without the guidance of the "Great Chief" many unionists had "fearful forebodings of evil," but the Molders were so well established that they continued to enjoy a steady growth in numbers and discipline as the years went on. It would not be far from the truth, however, to say that the story of the Molders down to August, 1868, was the story of William H. Sylvis.

It is impossible to secure satisfactory data concerning the

[11] Proceedings, 1864, p. 5.

growth in the Molders' membership because the membership figures have not been published regularly. Since 1907 the union has steadily reported but 50,000 members to the American Federation of Labor in order to conceal its real strength from hostile forces. It is the writer's guess that the present membership is close to 75,000. In the following table figures are given only for convention years.

Year	Local Unions	Membership	Year	Local Unions	Membership
1859	12	700[a]	1876	94	4,000[a]
1860	18	1,000[a]	1879	83	2,854
1861	44	3,000[b]	1882	151	10,000[a]
1863	15	2,000[b]	1886	136	13,000[a]
1864	76	3,500[b]	1888	171	16,000[a]
1865	122	6,788	1890	235	23,000[a]
1866	111	7,366	1895	231	20,000[b]
1867	149	8,615	1899	260	28,941
1868	113	4,885	1902	383	54,251
1870	103	3,860	1907	467	50,000
1872	107	5,000[a]	1912	434	50,000
1874	127	7,500	1917	424	50,000

It will be observed that the panic year of 1873 hit the Molders hard. Since the slump in membership continued until 1879 a large part of the blame for the continued weakness may be attributed to the maladministration of that period. The 1893 panic also fell heavily upon the order, yet it was weathered more easily than that of 1873. The recent decrease in the number of local unions is to be attributed to consolidations.

[a] Writer's estimate.
[b] Union estimate.

CHAPTER III

Government

The International Union, its Convention and Officers.— The first convention of the Molders' Union in 1859 was attended by representatives from twelve local unions. Each union had been asked to send one delegate from every shop under its jurisdiction. This procedure was followed till 1863 when it was provided that local unions having less than 100 members should be entitled to one delegate, and that those having over 100 and less than 300 should have two delegates. For all members over 300 an additional representative was allowed. Except for the brief period from 1884 to 1886, when a system of representation by districts obtained, the delegates have been elected by the local unions. The only important change in the system has been the lowering of the ratio of representation of the larger unions. The present rule, in force since 1902, allows one representative for every union with a membership of 200 or less and an additional representative for every additional 200 members or a "majority fraction" thereof. The lowering of the ratio has been due chiefly to the need of limiting the size of the convention both to save expenses and for parliamentary reasons. Reduction in the ratio has also been in part attributable to the fear that a few large local unions might be able to "swing the convention" contrary to the interests of the small unions. The Molders have not experienced the bitter fights between small and large unions which have occurred in other organizations, but the small unions have been jealous of losing power, and have persistently stood out for their place in the sun. In 1874 there were 87 delegates; in 1899, 221; in 1912, 405; and in 1917, 415.

Down to 1870 conventions met annually. Biennial sessions were then held till 1882, when quadrennial meetings were inaugurated. In 1886 biennial conventions were restored. In 1890 it was provided that "representative meetings" should be held every two years, "unless otherwise decided by a majority of a popular vote of the members of all local unions." In 1902 the period between conventions was lengthened to three years.[1] In the early years frequent conventions were necessary because the organization was an experiment which needed constant oversight. Gradually, however, a solid basis was achieved and adequate administrative machinery was perfected. The need for conventions then grew less. Another reason why the interval between conventions was lengthened was the cost of such meetings. Again, the increased use of the initiative and referendum obviated the need for frequent conventions, especially after 1890. Conventions have been held at five year periods since 1902.

With the Molders the convention has been both a parliament and a court. Its legislative and judicial powers have been unrestricted except where popular voting has been substituted. Yet the convention has been the creator of the popular vote, and, in that sense, has been superior to it. The exact relations between the convention and the initiative and referendum will be considered later.

The first convention created the offices of president, vice-president, recording secretary, corresponding secretary, treasurer and doorkeeper. The existing officers are a president, seven vice-presidents, a secretary, an assistant secretary, a financier, an assistant financier, seven trustees and an editor.

Practically from the outset, the president has been the acknowledged leader of the union and not a mere figurehead. He now has two functions, executive officer and chief organizer. As executive officer he presides at con-

[1] Proceedings, 1859, p. 11; 1886, pp. 45, 57; 1890, p. 73; 1902, p. 748.

ventions, decides all constitutional questions, appoints all officers pro tempore and all committees "not otherwise ordered," and countersigns all orders drawn on the treasurer. With the executive board's consent he may recall charters in localities where officers are either incompetent or negligent or when a local union fails to be self-sustaining. He may require information from any officer respecting his office. All local union by-laws must be approved by him and all circulars sent out by local unions must be sent to him for inspection and approval before they are submitted to the other unions.

As chief organizer he has "full control of the work of organization" and it is his duty "to see that every locality capable of maintaining a union is attended to and a thorough and systematic effort made to organize it." Moreover, "should any union be involved in trouble in regard to prices or principle, or in any case where a grievance is submitted to the (executive) board," the president must visit it in person or by deputy. A full report of his activities must be submitted to each convention and to each meeting of the executive board.[2] For many years the president acted more as chief organizer than as executive officer. Gradually, however, his duties as executive officer have increased to such an extent that most of his time is required at headquarters.

Especially during the early years of the union the president stretched his authority whenever occasion required. President Sylvis once declared that "should the emergency demand it," he "would lay the constitution on the shelf and do what seemed necessary to save the organization, believing that it was better to have an organization without a constitution than a constitution without an organization." In view of such crises Sylvis believed that "large dis-

[2] Constitution, 1917, art. 4, secs. 4, 5. In 1867 a "deputy president" was temporarily created for the Pacific Coast on account of its inaccessibility. He was given all the powers of the president and was required to report to headquarters at least every three months.

cretionary powers" should be lodged in his office so that the union might be largely under the control of "one mind."[3] At present, if extraordinary circumstances require that a strict interpretation of the constitution be disregarded, the executive board decides what action is to be taken.

Until 1863 each local union chose a vice-president for the national organization from among its representatives at the convention. Where a union had but one delegate he served as vice-president and he also filled the office of corresponding secretary. In 1863 a vice-president for the national union as a whole was elected although the old system of having a vice-president and corresponding representative from each local union was continued. In 1864 two additional general vice-presidents were elected, and the number has been increased from time to time.

The early vice-presidents had no very specific duties to perform. Occasionally they were deputized to act in the president's place when the latter was unable to attend personally to some business of his office. Since 1890 they have been "assistant organizers" subordinate to the president. Together with their chief they now promote the work of organizing new local unions[4] and serve as the "diplomats and negotiators" of the organization. They are the president's deputies in handling important grievances which the latter lacks time to manage. Their wide experience in this connection has made them wise counsellors of local unions and skilled interpreters of agreements. As "legislative agents" some of the vice-presidents have also done considerable service. Like the staff of a com-

[3] Proceedings, 1867, p. 11. Sylvis was accused at this time of exceeding his authority in levying a voluntary five per cent tax on local unions to finance a strike and in appointing a deputy treasurer for the territory west of the Mobile-Detroit line. He also acted without constitutional authority in maintaining a "secret service" to keep him informed of hostile employers' plans. The convention refused to pay the bill incurred by this action, but upheld the tax.

[4] At present the actual task of organizing largely falls upon local business agents and special organizers.

mander-in-chief, the vice-presidents may be sent to any part of the field. It has become customary to confine them for a part of their time to certain districts or to certain branches of the trade where their services are most useful. It is not the policy of the organization, however, to limit its vice-presidents to special fields since their value is greatly increased if they have a wide grasp of affairs. Suggestions to the effect that each branch of the trade be represented by a vice-president have been rejected on the ground that the union stands for the molding trade as a whole and not for a group of trade branches. It has so happened, however, that the various branches have been fairly well represented on the staff.

At the first convention the president and the vice-presidents were constituted a "national executive committee" to meet at the call of the president, "whenever it may be considered necessary by any local union." When duly convened the committee became "invested with all the authority of the national union, the making of laws excepted."[5] This arrangement was continued only for a short time, as it was impossible to assemble the widely scattered vice-presidents. In 1867 the four general vice-presidents were named a board of trustees to hold the treasurer's bond. This was the beginning of the present executive board or board of trustees, as it is sometimes called. In 1876 we find the board composed of "three members in good standing, elected by the convention, other than officers," who held the treasurer's bond and, in conjunction with the president, attended to the investment of all union funds. The board was given power, individually or jointly, to require "full and detailed statements" from the president and treasurer concerning their financial transactions. Its members could also "make official statements through the *Journal* on any matter connected with their offices."[6] Should a vacancy occur in any office, other than that of

[5] Proceedings, 1859, p. 10.
[6] Ibid., 1876, p. 82.

president or corresponding secretary, or should any officer fail to perform his duty for the space of three months, the president was to declare the office vacant and the trustees were to fill the vacancy. To the president and the vice-presidents was left the power of declaring an end to any strike whenever they felt satisfied that such strike was lost. If charges were preferred against an elective international officer, the vice-presidents and the trustees sat as an "executive board" to try the case.

In 1878 a new and powerful executive board came into existence. It was composed of the four vice-presidents and the three trustees. To this body, acting in conjunction with the president, were granted all "executive powers" of the union, except when conventions were in session. The president's position was made something like that of a corporation head dealing with his board of directors. Thus, he was required to secure the consent of the executive board before visiting and inspecting subordinate unions, and to "lay all matters of interest" to the union before the board. He was also required to share with the board the power to decide "the meaning and intent" of any section of the constitution. The board was authorized to hear all charges preferred against elective officers of the union, to fill vacancies in office, and to terminate strikes.[7] The trustees as a separate body were left to deal only with financial matters while the vice-presidents as such were confined to organizing and negotiation under the direction of the president. The new board soon found itself in conflict with President Saffin who denied it the right to supervise his actions. Since the constitution explicitly granted it supervisory authority, the board insisted upon exercising its functions. The dispute became heated and the board finally preferred charges of embezzlement against the president, tried his case, found a verdict of guilty, and secured from the local unions a vote declaring the office of president vacant. After this episode the right of the board to have

[7] Ibid., 1878, pp. 42, 44, 48–50.

full control over all matters of interest to the union went unchallenged.

The present executive board is based on legislation enacted in 1886. It is composed of the president and the trustees, of whom there are seven. The president sits with the board but does not vote except where a tie occurs through the death, resignation, or removal of a member. The board decides all policies of the union, except when conventions are in session, has supervision over all officers, conference boards and local unions, hears appeals from decisions by the president, and approves or vetoes proposed amendments to the constitution offered by local unions for referendum vote.[8] The trustees as such still have supervision over the finances, including the payment of benefits of various kinds. So closely is the work of the trustees and executive board related that the two bodies might as well be consolidated under a single name. At present the board meets frequently, often for sessions lasting for a week or ten days.

The Initiative and Referendum.—When the national union was formed in 1859 it was provided that its constitution might be amended only at a "stated meeting" of the union. Two years later the committee on constitution was instructed to "inquire into the expediency of so amending the constitution as to render the sanction of a majority of the subordinate unions necessary for any future amend-

[8] "The board of trustees, more commonly known as the executive board, consists of members chosen by a convention and selected with a view not only to their ability to fill the important duties that will fall to their share, but to represent as nearly as possible every section of our broad jurisdiction and its diversified interests. Their duties do not bring them so clearly in the limelight; their names are not brought so prominently before our members or the community; but, none-the-less, their duties are as important as those of any officer. They are the watchdogs over the funds of our organization; they are the court of final appeal of all questions affecting the laws of our organization between conventions; they are the administrators of the policies of the convention that selected them and, finally, they have the deciding voice in the action to be taken by local unions in defending our principles or in bettering their conditions. They are, in a word, the final and supreme authority in all matters affecting the interest or welfare of our membership, excepting only the convention itself" (International Molders' Journal, August, 1913, p. 671).

ment or alteration."[9] It was not until 1868, however, that provision was made for amending the constitution by popular action. It was now provided that five or more local unions might initiate a constitutional change by proposing an amendment to the general president. The latter was then ordered to "issue a circular to each union containing the said amendment, the vote to be taken under such regulations as the president may adopt, the vote in all cases to be published in the *Journal,* or by circular, . . . each union to have as many votes as . . . representatives." To carry a measure in this way a three-fourths majority was required.[10]

In 1879 the approval of the executive board was required before a circular containing a proposal for constitutional amendment could be issued. Since it was believed that this plan safeguarded the organization against rash schemes, a bare majority of the popular vote was substituted for a three-fourths majority of the local unions to carry a submitted measure and a single subordinate union was allowed to initiate constitutional alterations. At the 1888 convention it was provided that proposals should "be left open for discussion in the *Journal* for three successive issues" before a vote was taken.[11] In 1895 it was stipulated that "in the event of a proposed amendment not receiving the sanction of the executive board, on the appeal of ten local unions, the executive board shall publish in the *Journal* their reasons for disapproval, and the secretary shall send it to local unions in circular form."[12] This plan still obtains, except that it takes twelve unions to carry an appeal over the heads of the executive board and not more than five of these unions can belong to the same conference board. In practice the executive board occasionally acts on its own account in amending a proposed amendment, and it has even offered amendments upon its own initiative. Prior to 1895 there were very few instances where con-

[9] Proceedings, 1861, pp. 17, 29.
[10] Ibid., 1868, p. 72.
[11] Constitution, 1888, art. 16, sec. 1.
[12] Ibid., 1895, art. 15, sec. 1.

stitutional amendments were initiated by local unions for admission to popular vote, but since that date numerous amendments have been submitted.

In 1879 it became necessary for the executive board to call an extraordinary session of the union to hear charges against President Saffin. In the absence of a constitutional provision the board canvassed the local unions and secured their consent to a proposal for a special convention. To provide against future contingencies a rule was passed that "should it become necessary to hold a special convention, in order to be legal, it must have the sanction of the majority of the executive board and two thirds of the local unions voting on the same."[13] In 1895 a popular vote was substituted for a local-union vote, and in 1902 it was provided that a request for a special convention must be initiated by at least five local unions. No special convention, it may be said, has been authorized since 1879. The referendum has also been introduced to uphold or to reject the findings of the executive board after a trial of charges against international officers. Until 1897 the vote on such questions was by local unions and each union had as many votes as it was entitled to in convention.

Finally, the convention at odd times has put to referendum questions of major importance upon which the vote of the membership has been desired. For example, proposals for an eight-hour day and for the abolition of piecework have been thus submitted. From the foregoing account it will be observed that the Molders have pursued varied methods of voting under the referendum rules. In 1897 procedure was simplified by the requirement that all measures submitted to the membership must be decided by popular vote.

Since 1879 certain members of the union have advocated the complete substitution of the initiative and referendum for the convention system. The convention has been condemned as too costly and as lacking in the fundamental

[13] Ibid., 1879, art. 15, sec. 4.

elements of democracy. The defenders of the convention, however, have always outnumbered its antagonists. They have pointed to the small vote obtained on issues submitted to a referendum as an indication of a tendency to let things "be decided by default, as it were," owing to the general idea of depending too much upon "the judgment or volition of international officers."[14] When a vote was taken on the advisability of holding a convention in 1897 there appeared "the discouraging spectacle of less than one third of the entire membership recording themselves as either in favor of or against, and 28 local unions out of 231 vouchsafing no expression whatever."[15] Again, when local union No. 31 of Detroit submitted various amendments to the constitution on one occasion, it took the trouble to send texts of the proposals to each member of the entire union, but even then only one third of the voting strength was called out. In view of these facts, it has been contended that the referendum enables a minority to make decisions and that "indifference on the part of those possessing the franchise seems to be one of the greatest weaknesses of the system."[16]

Attention has also been called to the need of the convention as a "safety valve" for the union. A widely scattered membership, representing different interests, has required "that before intelligent action can be taken upon any problem affecting the organization, all the information which can be secured upon the subject must be presented, . . . supplemented by the advice and suggestions of those members who have made a special study of the question . . . or who, as officers, have had to contend with it."[17] Opportunity for such presentation, it has been urged, has existed only at the convention where clashing opinions can be

[14] Iron Molders' Journal, December, 1899, p. 641.
[15] Ibid., April, 1897, p. 172.
[16] Perhaps the most notable vote was polled in 1900 when 13,163 members expressed their views on the adoption of an eight-hour day.
[17] International Molders' Journal, November, 1914, p. 899.

harmonized, friction allayed and "narrow provincialism removed." The convention has also been defended as the sole device for obtaining a systematic revision of the constitution and as the one place where important reforms, such as the high-dues plan of 1895, can be secured.

Summing up the Molders' policy respecting the initiative and referendum, we may say that they have perfected an "effective balance" between these instruments and the representative assembly. The latter handles the majority of alterations found necessary in the rules of the organization and systematizes its laws. Yet the "ultimate decision on any question" rests in the hands of the entire membership. Direct legislation enables the union to correct from time to time any error the convention may commit or to fill in gaps that may be overlooked. "In any crisis or whenever a majority believes that a change should take place" the membership may work its will. The decisions of the executive board upon amendments and charges may be overturned and special conventions may be called if the organization so desires.[18]

Since 1868 it has frequently been proposed that the international officers be nominated by local unions and elected by the entire membership. In 1912, especially, the question was much debated. Those who have favored the direct nomination and election of the general officers formerly argued about the possibilities afforded thereby to avoid "that horrible monster, 'ring rule,'"[19] claiming that it was comparatively easy for the officers to influence conventions in favor of their reelection by playing politics. At present one hears more about the fundamental democracy involved in giving every member a vote in choosing his leaders. It may be questioned, however, whether political theory has been entirely divorced from practical politics by those who have taken their stand for direct elections. The "outs" have doubtless seen some chance for overcoming the "ins"

[18] Ibid.
[19] Iron Molders' Journal, September, 1896, p. 376.

by such a system. The sentiment of the majority of the members has always been opposed to the popular nomination and election of officers. The arguments against direct elections and in favor of the convention system were well stated by Editor Frey in 1913. Mr. Frey upheld the election of officers through the convention because it allowed leaders to prove their worth before a body of competent critics, because it decreased rather than increased personal politics, because direct elections would involve great expense, whenever a multiplicity of candidates should require several ballots to be taken, and because experience with direct elections had demonstrated the fact that only a minority of the members voted.[20]

No comment has been made in this chapter upon the use of the referendum in the authorization of strikes. This question has been treated in another connection.[21]

District Unions.—As early as 1863 it was proposed that the Molders form state or district unions, subordinate to the international union. It was argued that such organizations could reduce expenses by handling all local matters, thereby leaving the general convention and officers free to give all their time to general problems. During the early '80's, especially, there was a growing feeling that the union was organized on incorrect principles and that the exercise of more local autonomy was desirable. Finally, in 1886, the convention decided to experiment with the district system and a form of organization was created after the pattern of the government of the United States with its federal, state and local units. District unions with the necessary officers were authorized in each state and Canadian province having three or more local unions. They were given power to elect most of the delegates to the general convention, to supervise and control local unions within their district, to

[20] International Molders' Journal, August, 1913, p. 666. Conference boards have sometimes chosen business agents by popular nomination and election. At one election held by the Pittsburgh board only 507 ballots were cast out of a total membership of 2,646.

[21] See pp. 101–105.

arbitrate trade disputes, to send out district organizers, to raise funds in any way not in conflict with the rules of the International, and to initiate molders located in isolated places and to attach them to the nearest local unions.[22] In eight States and in some of the Canadian provinces district organizations were perfected. So far as accomplishments were concerned, they did little more than to elect officers, to endorse the union label and to elect statisticians to collect information about wages and prices. The uselessness of the district unions, coupled with a reaction in favor of centralized authority, led to their overthrow in 1888 by a referendum vote.[23]

Conference Boards.—District or state unions failed because they were not adjusted to economic need. State lines did not coincide with trade boundaries. A correct basis of organization for bodies intermediary between the international and the local unions was finally found in conference boards composed of local unions situated in the same industrial area.

The first conference board was formed in New York City and vicinity in January, 1891. During the eighties the Knights of Labor were so active in that locality as to weaken the trade unions. As a result, several foundrymen made an effort to increase hours and reduce wages. "It was this condition of affairs that paved the way for and brought about the organization of the conference board, so that the representatives of the strong locals could meet with those of the weaker ones, ascertain their conditions, needs, etc., discuss the situation and render them assistance whenever and wherever possible."[24] In 1892 four local unions in the Chicago district formed a council "to bring about a more harmonious feeling between the members and the different branches, stove, machinery, and bench." A

[22] Proceedings, 1886, pp. 45, 49, 57.

[23] Proposals for "home rule" and for "districting the International Union" were unsuccessfully made on several occasions after 1888.

[24] Iron Molders' Journal, January, 1897, p. 6.

headquarters was established with a paid secretary in charge whose chief duty it was to maintain an employment bureau for union members.[25] Three unions in Dayton, Ohio, formed a council in 1894 in order to keep in closer touch with each other.

Official international recognition was granted in 1895 to "local executive boards" which were authorized in each locality where more than one union existed, for the purpose of adjusting all differences between the unions and of agreeing upon a scale of wages. In 1899 rules were adopted for the formation and regulation of conference boards. Whenever the members of local unions "within a reasonable radius of a good central point, with a total membership of 1,000 or more," decided to form a board, it was to be officially recognized by the International Union. All by-laws of conference boards were to be approved by the international president, whose sanction was also required to confirm the appointment of any business agent or employee.[26]

Local autonomy prevailed at first with respect to the organization, membership and jurisdiction of the boards, but before long it seemed wise to establish international control over all features of their organization. In 1907 all local unions were compelled to join the conference board of their district, if one existed. The executive board was empowered to establish conference boards wherever it saw fit, to decide how large the combined membership of several local unions should be in order to justify their organization under a conference plan, and to determine the territorial jurisdiction of each conference board. In 1912 two more important checks upon conference boards were imposed when the president and executive board were authorized to remove business agents for inefficiency and to revoke the charters of conference boards which failed to be self-sustaining.

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[25] Ibid., August, 1892, p. 5.
[26] Proceedings, 1899, p. 187.

Only five or six boards were organized prior to 1900. In 1902 there were fourteen boards, in 1907 sixteen, in 1912 eighteen, and in 1918 eighteen. Increases in the number of boards since 1907 have been chiefly due to splitting up organizations so large as to be unwieldy. Thus, in 1913 it was decided that better results could be obtained by dividing New England into the three districts of Boston and vicinity, the Connecticut Valley, and Eastern New England. The remaining fifteen boards are known as those of New York, Buffalo, Central New York, Pittsburgh, Eastern Pennsylvania, Chicago, Detroit, Lower Michigan, St. Louis, Central Ohio, Cleveland, the Miami Valley, Indiana, Northern California, and Ontario. Boards for the South have frequently been suggested, but so far conditions have not been ripe for their establishment. In two or three cases boards have been discontinued because they have not been self-sustaining. In 1917 the number of unions constituting the board ranged from two in Northern California to twenty-seven in Central New York and Eastern Pennsylvania. The membership varied from 1,187 for Northern California to 3,857 for New York. The eighteen boards had a total membership of 40,658.

Conference boards have primarily had the duty of organizing molders and securing harmony of action among the affiliated local unions. They have not had power to initiate or settle strikes or to modify any national policy. The work of organizing has been largely carried on by business agents, hired and paid by the boards. Besides acting as an organizer the business agent serves as a sort of employment-bureau manager and assists in the settlement of grievances and the conduct of strikes. He is often given authority to examine the books of officers of affiliated local unions and generally he is required to visit local unions in his jurisdiction at stated intervals. Suspended members may pay their debts to him and be reinstated. For all his actions he is immediately responsible to the board's executive committee which controls his activities. The committee usually grants him considerable latitude.

The Local Union.—Local union procedure has been compared to government by mass meeting. Like all other attempts at a pure democracy, however, the local union has found it necessary to delegate certain powers to its officers and committees. Little change has been made in the number and duties of officers in molders' local unions since the early years. The first organizations each had a president, a vice-president, a recording secretary, a financial secretary, and a treasurer. It is unnecessary to define the duties of these officers. When the International Union was formed, the local office of corresponding representative was created to handle all communications with the central office and with other bodies, and to make monthly reports to the international president on all important facts relative to changes in membership, the condition of employment, moneys collected, etc. At present it is customary for local unions to have, besides the officers mentioned, a statistician and three or five trustees. The statistician is supposed to secure statistics upon all facts of interest to the trade from all open, union, and non-union shops under the jurisdiction of his union. He is assisted in his duties by one member appointed from each shop. The trustees exercise general supervision over the property of the union, invest its surplus funds, examine all bills presented for payment, hold officers' bonds, audit accounts and perform similar duties. A few local unions have also employed business agents at different times.[27] For inefficiency or neglect of duty local officers can be removed by the international president with the consent of the executive board.

Local unions have but few standing committees. In one sense the shop or price committees are local-union committees, yet their work is related primarily to their respective foundries. Special committees, such as those appointed

[27] In 1907 there were eight local-union business agents. The tendency has been to substitute conference-board agents for local agents. It is of interest to note that the Albany union in 1860 urged the appointment of "agents" to organize the trade and to secure the amicable settlement of disputes.

to visit sick members, are named from time to time. Since 1863 local unions have been chartered by the International Union. All local by-laws "and all amendments thereto, except such as relate to time and place of meeting," must be submitted to the general president before being printed, "for examination, correction, and approval."[28] For many years uniform by-laws have been suggested, but it has seemed best to allow some leeway to meet local conditions.

The Shop.—Some form of shop organization has always obtained among the Molders. In 1855 the Philadelphia union provided that the members in each foundry should select from their number three journeymen to serve as "an executive committee of the foundry." The committee was ordered "to prepare and keep a list of articles that are made by the piece and give their opinion as to the price that should be paid."[29] Shop members were also required to elect one representative on a "financial committee" of the local union. It became the duty of this man to collect extra assessments, to invite non-members to join the union and to do such other work as might be required of him. Similar committees existed in the Buffalo union in 1859. "Price," "finance," or "shop committees" have been usual in every important union foundry to the present. At present they exercise a general supervision over members in the shop, report all violations of the rules, and all other matters of interest to the union. Sometimes they act as price committees and inspect union cards. In many shops, however, a special "collector" or "steward" attends to the collection of all dues, fines and assessments. Each shop elects its own committee or collector. The shop committee usually consists of three men, but in some cases it is composed of only one member, called "the chairman of the shop."

[28] Constitution, 1867, art. 10, sec. 3.

[29] Journeymen Stove and Hollow-ware Moulders' Union of Philadelphia, Constitution and By-Laws, 1855, art. 3, sec. 3; art. 4, sec. 6.

CHAPTER IV

Jurisdiction

Territorial Jurisdiction.—The Molders have always claimed jurisdiction over the entire United States and on several occasions they have had to fight sectional movements. During the sixties a scheme for dividing the organization into two "separate and distinct branches, the East and the West," interested a small element of the membership which claimed to dislike "foreign interference." The dangers of the proposal were soon seen and its backers were so sternly rebuked that the matter was dropped.[1] In 1884 plans to set up four separate unions in the United States met with a like fate. In each instance sectional jealousy was the cause of the suggested division.

In 1860 Canadian local unions in Montreal, Quebec, Toronto, Brantford and London were affiliated. By this action the Molders became an international union, the first of its kind in the entire world. Since 1860 the union has claimed complete jurisdiction over Canada, where, at the present time, there are thirty-one local unions. In 1884 it was proposed that the Canadian locals secede and form a national union of their own in order, as it was said, to have their affairs looked after more effectively. This movement was stopped almost before it was started, so little good did the Canadian molders see in it. At present there is a small group of Canadian workers who favor national autonomy, but no molders are known to belong to it. In 1888 application for a charter was received from Mexico City where a number of union molders were working. The petition was denied. The hostility of the government to trade unionism during the Diaz regime and the turbulent times of

[1] International Journal, May, 1874, p. 327.

later days have continued to make the invasion of Mexico unprofitable. Most of the members working in that country now deposit their cards at Douglas, Arizona. In 1900 union molders working in Honolulu requested that a charter be given them. The executive board felt at first that it would be too expensive to administer so remote a local union, but in 1901 it finally granted the petition. One year later the charter was withdrawn because the anticipated difficulties proved too formidable. The Molders still retain jurisdiction over the Hawaiian Islands, but members working there deposit their cards at San Francisco. To aid its members in dealing more effectively with government officials in the Canal Zone, the union granted a charter in 1906 to Gorgona (renamed Balboa) where the chief construction and repair shops along the Canal were located. The Molders have never given favorable consideration to applications for charters in Alaska, Newfoundland, Cuba, Porto Rico or the Philippine Islands since the cost of administration would be out of proportion to the benefits derived by the small number of members obtainable in these places.

The first rule which dealt with the jurisdiction of local unions read as follows:

> Should the molders of any city deem it expedient to form unions of the separate branches of the trade, such unions will be recognized and respected by the National Union, *Provided*, that no more than one union in each department, viz., one union of Machinery Molders, and one union of Stove and Hollow Ware Molders, shall be recognized in any one city or town.[2]

Within a few years separate unions of bench molders were also authorized. In 1887 hollowware molders were allowed to form separate local unions, but as they did not take advantage of the privilege the action was rescinded in 1888. In the same year, however, brass molders were allowed separate local unions. In 1899 a general rule specifying that the approval of the president and executive board

[2] Proceedings, 1859, p. 12.

must be obtained before more than one union could be established in a locality was adopted. Machine operators, brass molders, agricultural molders, malleable-iron molders and heater-work molders were given charters wherever the conditions justified. A few specialized workers, such as radiator molders, have not been granted separate charters. After the amalgamation with the Core Makers in 1903 it was thought best by the executive board to merge the newly acquired coremakers' unions with the machinery-molders' unions, since in practically all matters taken up with employers the two groups had to act jointly. At present all but five out of the nineteen original coremakers' unions have surrendered their charters. Since 1912 the president and executive board have been authorized to combine local unions where it seems expedient to do so. In general, it is the policy of the Molders to have as few unions as possible in any one locality in order to secure maximum solidarity and efficiency.

Since 1861 the molding trade has been entered by a considerable number of German, Bohemian, Polish and Hungarian immigrants. Because many of these foreigners could not speak English, it was deemed wise at one time to form them into local unions of their own, regardless of the branches of the trade represented. The first hint of such a policy appeared in 1888 when it was proposed, unsuccessfully, to give the president power "to organize a German union where there are Germans enough to support it."[3] In 1894 a local union of Poles was formed at Cleveland and in 1900 a union composed exclusively of Bohemians was chartered there. After a brief trial the union merged these two local unions with other Cleveland unions and decided to grant no more charters on the basis of nationality, since it had been discovered that unity in shop control and "Americanization" could only be secured by placing foreigners in the same local unions with other employees from the same establishments.

[3] Ibid., 1888, p. 74.

In the early days local unions were restricted in their territorial jurisdiction to a single city or town. At present, however, extensive jurisdictions covering entire Canadian provinces and large parts of American States are possessed by four or five unions. For example, the Winnipeg union has jurisdiction over all foundry centers in Manitoba and Saskatchewan, the Waycross, Georgia, union has jurisdiction over Southern Georgia and Florida, and the San Francisco union has jurisdiction over the Golden Gate territory, Honolulu, mining camps as far east as Nevada, and all California except San Diego, Los Angeles and Sacramento. It is quite common today for a local union to have jurisdiction over all towns in a single county.

Trade Jurisdiction.—The convention of 1859 was called by local organizations composed entirely of molders of grey iron from the machinery and the stove and hollowware branches of the trade.[4] As the molding trade expanded, the union began to extend its jurisdiction so that in time it became a molders' organization in the fullest sense. The first extension of trade jurisdiction took place in 1865 when bench molders and malleable-iron molders were made eligible for membership. Two years later brass molders were included. No further additions to trade jurisdiction were made until 1899, when it was resolved that the union should "seek to establish . . . jurisdiction over the molding-machine operator and all those who work at molding in the numerous subdivisions" into which the specialization of the trade had divided it.[5] In 1902 the jurisdiction of the union was comprehensively defined by the statement that it should extend "over the trade of molding in all its branches and subdivisions, including coremaking."[6]

Strict trade autonomy has always appealed to a majority of the membership, yet agitation for an industrial form of

[4] All but one of the fourteen unions represented were organizations of "stove-platers."

[5] Constitution, 1899, Standing Resolution No. 38, p. 55. In 1902 special mention was made of the radiator molder.

[6] Ibid., 1902, art. 1, sec. 2.

organization has been in evidence since 1880, when it was advocated that the union should bring under its control "every skilled worker in and around the foundry."[7] It was argued that in the stove industry strikes often failed because molders were not supported by pattern makers, mounters, and melters. In the machinery branch the molders, it was claimed, needed the direct aid of allied trades, such as the machinists, blacksmiths, pattern makers, and boilermakers. By 1912 the friends of a metal-trades' amalgamation had become so numerous that ten resolutions in all were offered in the convention of that year for some form of consolidation. All of the resolutions, after long discussion, failed of adoption, although thirty-two delegates voted in favor of a referendum on the issue of admitting all workers "in and around foundries."[8] Again, in 1915, a referendum vote was taken on the general issue of "amalgamation." The executive board vigorously expressed itself in favor of maintaining the independent existence of the union and the membership defeated the proposed measure by an overwhelming majority. The measure failed to carry chiefly because the members felt that a strong union could gain nothing by fusion with weaker ones.[9]

Jurisdiction Disputes.—The Molders have had their share of jurisdiction disputes and secessions. Unlike many other organizations they have emerged successfully from each conflict. The history of the chief disputes follows:

(1) *The Knights of Labor.* From 1882 to 1885 many molders joined local assemblies of the Order of the Knights of Labor. In 1882 some machinery molders in Pittsburgh, who refused to join the union, organized under the Knights. In 1883 prominent members of local union No. 8 of Albany secretly organized Molders' Local Assembly No. 2791. The Knights were so powerful throughout the country that

[7] Iron Molders' Journal, June, 1880, p. 10.

[8] Proceedings, 1912, pp. 126, 137, 141, 148, 155, 159, 167, 169, 175, 181, 209, 234, 244.

[9] For further discussion of the inter-union relations of the Molders see pp. 108–113.

the Albany men, whose local union was none too strong, believed affiliation with them to be expedient. A local assembly of the Knights formed at Worcester, Massachusetts, in 1885, was joined by several molders, as the local union there had ceased to exist. Indianapolis machinery molders in 1885 temporarily took out a charter in the Order. Many individual molders belonged to the Knights and some of these held cards in the union as well.

The general attitude of the union toward the Order, down to the middle of 1886, was well stated by the editor of the Iron Molders' Journal in that year when he said: "The Knights of Labor is an organization which was started for the purpose of organizing all branches of unorganized labor, and we have on all occasions given them all the support in our power."[10] In the early part of 1886, however, trouble arose. The Knights were accused of admitting to membership expelled and suspended union molders, and were warned that the union would not tolerate such a policy, since it threatened discipline and made scabbing easy. In reply to the complaints made by the Molders and by other trade unions, the leader of the Knights asserted that personally he had "always held that the man who proved untrue to his Trade Union was unfit for membership in the Knights" and that he believed the majority of his membership felt likewise.[11] In spite of this statement, however, "unfair" molders continued to join the Order.

Although the Molders took issue with the membership policy of the Knights, there was still a considerable element in the union which believed that a break with the Order would be fatal to the labor movement. Some members urged amalgamation with the Knights as the best way out of the difficulty. They believed, moreover, that the all-inclusive unionism represented by the latter was the ideal form of organization. A resolution for amalgamation was introduced in the 1886 convention. After long debate it

[10] Iron Molders' Journal, February, 1886, p. 14.
[11] Ibid., April, 1886, p. 5.

was overwhelmingly defeated by a vote of 114 to 27 as "inexpedient, unwise and unnecessary." Another resolution giving the president and executive board power to issue a circular for a popular vote upon the question was also defeated.[12]

On May 17, 1886, a conference of thirty-two national union officers, including President Fitzpatrick of the Molders, framed several charges against the Knights, such as aiding unfair employers, scabbing, and ignoring union scales and hours. An agreement was prepared for submission to the Knights, according to which the latter were to discipline any member or local organization guilty of unfair practices. While the Knights received the agreement in a "spirit of friendship," they did not put it into effect. Eventually they began to fight the unions, especially the Cigar Makers, quite openly. At the 1886 convention the executive board was instructed to demand of the Knights that they suspend all members who were suspended or expelled unionists, and it was ordered that a committee be appointed to act with a committee from the Knights to consider disputes that might arise in the future. The Knights, however, remained unmoved by the adoption of these resolutions.

In the following year the situation gradually became worse. In various parts of the country relations became more and more strained over questions of various kinds. At New Haven six members of the Knights were discharged from a foundry, whereupon the local assembly called a strike and declared the shop closed to organized labor. Since the strike had not been authorized by the executive board, several union molders in the shop returned to work before the difficulty was settled. At once they were branded as scabs by the local assembly. At Albany friction arose in 1887 when the Knights deprived the union of control over the Rathbone stove shop. The Bridge and Beach lockout at St. Louis in 1887 was another cause for trouble between

[12] Proceedings, 1886, pp. 17–20, 33.

the two organizations. During this dispute members of the Knights continued to use St. Louis patterns while all over the country union molders refused to handle them. As the result of their experiences with the Knights throughout the country, the Molders felt that they had many just grievances against them and that the only safe thing to do was to drive the Knights entirely out of the foundry. By combining with other trade unions the Molders were able to achieve this end practically by 1890. After that date the Knights continued to retain a few molders in their membership but so few as to cause no serious clashes with the union.

(2) *The Brotherhood of Machinery Molders.* Although machinery molders greatly outnumbered stove molders in the United States during the eighties, the latter were the more thoroughly organized. So many strikes had been supported in the stove branch that machinery molders had begun to feel that it was useless for them to unionize since only stove molders, apparently, could obtain backing for their demands. At the convention of 1882 representatives from machinery molders' local unions protested against the prevailing strike policy, but they failed to effect a change because the stove manufacturers at this time were so aggressive that it was deemed best to continue the fight upon them without expending strike funds in less critical fields.

The more radical machinery molders now determined upon revolt. Local union No. 244 of Detroit led the way by issuing a call to other local unions in the machinery branch for a convention to meet at Detroit on February 5, 1883. Separate organization of the machinery molders was advocated on the grounds "that each branch of the trade could best legislate for its own wants and necessities; and further, that the burden of strikes . . . had been borne by the machinery trade."[13] Only two unions responded to the call. In conjunction with No. 244, these organizations seceded from the union and formed the International Brother-

[13] Iron Molders' Journal, June, 1890, p. 4.

hood of Machinery Molders. For a year or two the new organization made some progress as a few other machinery molders' local unions joined its ranks. By 1886, however, a majority of the seceding local unions had returned to the Molders and for a time the Brotherhood was almost dead. In August, 1887, John Penton, later commissioner for the National Founders' Association, became the Brotherhood's president. Under his leadership new life resulted. In 1888 the first real convention was held and an official journal was started. In 1892 eighty-two local unions were reported, chiefly in the territory west of Pittsburgh.[14]

The union's executive board had at once suspended No. 244, but it did not discipline any other secessionists. Conciliatory proceedings prevailed for a half-dozen years, as the union was none too strong during this period. In 1886 the union extended a "cordial invitation" to the secessionists again to "enroll themselves under the banner of our organization."[15] In 1888 the convention refused to sustain a presidential decision that a molder could not belong to both the union and the Brotherhood. As it grew in membership, however, the Brotherhood began to excite the active hostility of the union. The latter first tried to argue its rival out of existence by asserting that "the fundamental principles of trade organizations" led not "toward division . . . into little insignificant bodies because of their specialties," but "rather toward consolidation."[16] In reply, the outlaws heaped contempt upon the old organization and bitterly denounced its "tyrannical" methods. Since settlement could not be secured by discussion the only recourse left was that of fighting the matter out. In his report for 1890 President Fitzpatrick condemned the "lukewarm action" of previous years and urged that "decided action" be taken toward the rival body.[17] Acting upon his advice,

[14] In organization and policies the Brotherhood was patterned largely after the union.
[15] Proceedings, 1886, p. 32.
[16] Iron Molders' Journal, June, 1888, p. 4.
[17] Proceedings, 1890, p. 10.

the 1890 convention passed resolutions refusing recognition to any other union of iron molders and emphasizing the desirability of "one card and one union."[18] An open fight then began. In several cities loyal local unions voted to expel all members who joined the "red-card" brotherhood. At other places where strikes had been called by the Brotherhood, the strikers were replaced by members of the union. In spite of its boasted strength the Brotherhood was unable to meet the assault upon it otherwise than by "calling names." Finally, in November, 1892, the Brotherhood "sued for peace." A conference between the contending factions was held at Indianapolis on April 11, 1893. It was agreed to submit the question of one union or separate unions to the machinery molders in both organizations. In the union the one-organization program was carried by the overwhelming vote of 7,628 to 208. The vote in the Brotherhood was not made public, but a majority favored consolidation. The supremacy of the union thereafter remained unquestioned except by a few irreconcilables who still tried to keep up the Brotherhood.[19] Within a short time this guerilla warfare also ceased.

(3) *Jurisdiction over Brass Molding.* Although the Molders extended their jurisdiction over the "brass branch" in 1867, for many years they made no special effort to organize it, since their interest was centered in the iron trade. During the eighties the Knights of Labor attracted many brass molders to their ranks. In 1888 the Knights authorized the formation of National Trades' Assembly No. 252 to include molders and all other branches connected with the brass industry. In 1890 a secession movement within the Trades' Assembly resulted in the formation of the International Brotherhood of Brass Workers. Five years later the Trades' Assembly and the Brass Workers combined

[18] Iron Molders' Journal, August, 1890, p. 2.

[19] Proceedings, 1895, pp. 16–18. In January, 1894, the Brotherhood still reported forty-nine local unions. Most of these existed only on paper.

under the title of the United Brotherhood of Brass and Composition Metal Workers, Polishers and Buffers. Finally, in 1896, this body consolidated with another organization known as the Metal Polishers, Buffers and Platers' International Union of North America in forming the Metal Polishers, Buffers, Platers and Brass Workers' Union of North America, which affiliated with the American Federation of Labor.[20]

As the various unions mentioned above were established from time to time, the Molders began to give greater attention to the brass branch. Members were aroused over the possibility of losing an important branch of the trade and efforts were made to organize the larger brass foundries. Soon after their formation in 1896 the Metal Polishers also began a campaign for the organization of all kinds of brass workers. Low dues enabled them to make considerable headway in the brass foundry. Occasionally a journeyman who had been suspended from the Molders was admitted and at once complaint would be made that the Polishers were affording a haven for scabs. Before long the Polishers began to act upon the assumption that they possessed sole jurisdiction over the brass foundry. In order to indicate that this assumption was a false one the Molders adopted a brief but significant resolution in 1902 asserting their "right over brass molding." They also voted to notify the American Federation of Labor, as the arbiter of jurisdictional disputes, that a definite and positive stand had been taken. While the Molders insisted upon their exclusive right to organize brass molders, they were willing to cede to the Polishers those establishments where brass molders formed but a small fraction of the metal workers. An exchange of brass molders' cards was also authorized.[21]

The Molders' action at once caused the Metal Polishers to bring the dispute to the attention of the American Federation in the following December. The Federation advised

[20] The Journal (Metal Polishers), September, 1911, pp. 33–40.
[21] Proceedings, 1902, pp. 664, 675, 676, 725.

a settlement "outside of the convention."[22] Accordingly, a conference was held in June, 1903, but no progress could be made. In December the Polishers appealed again to the Federation which then reached a definite decision in favor of the Molders. The defeated party, however, made no move to carry out the Federation's edict. Further conferences between the disputants followed. At these meetings, as at the hearings before the Federation, the Molders contended that they were the older body, that they had always claimed jurisdiction over brass molding, as well as all other forms of the trade such as grey iron, malleable, steel, and mixed-metal molding, and that they were actually a "metal molders' union." No agreement was reached, however, although the Molders readily conceded the smaller brass foundries to the opposing side.[23]

In 1909, after two further conferences with the Polishers had failed to accomplish anything, the Molders' local unions were instructed to use every effort to organize the brass molders. In the same year the American Federation of Labor reaffirmed its decision of 1903. Discovering that their charter from the Federation was likely to be withdrawn in case they did not adhere to the decision, the Polishers' officers agreed to surrender, provided the settlement was endorsed by their membership. In January, 1911, the Polishers held a referendum which produced a majority of 1,195 in favor of obeying the Federation. On March 1, 1911, 408 brass molders were transferred by the Polishers to the Molders and the jurisdictional dispute was at an end.

(4) *Jurisdiction over Coremaking.* In the early days the molder made his own cores. As the molding industry developed, the specialized coremaker came into existence. In many of the smaller shops, however, the molder was still compelled to be his own coremaker. Throughout the

[22] Proceedings (Metal Polishers), 1903, p. 18.

[23] Iron Molders' Journal, November, 1905, p. 851; Proceedings, 1907, p. 32; 1912, p. 4.

trade generally, indeed, a knowledge of cores continued to be very valuable to molders, so much so that boys learning to mold were generally given several months on the core-bench. Coremakers as such were not admissible to membership in the early molders' unions. Neither were they eligible for admission under the rules of the International Union at first. As time went on it was discovered that scab molders were drifting to the core-bench and that the bargaining power of the machinery and jobbing molders, especially, was weakened by non-union conditions in the core-rooms. Accordingly, union molders began to point out the necessity of admitting coremakers to membership.

By 1888 coremakers had begun to organize independently. To this movement the Molders gave considerable support at first. The main consideration of the times was to get the coremakers unionized in order to make the core-room an auxiliary to the foundry floor in carrying out union principles. The convention of 1890 authorized local unions wherever possible to assist in the organization of coremakers. A few local unions came out on sympathetic strikes in behalf of the coremakers, but, generally speaking, the Molders tended strictly to their own disputes.

In 1896 the Core Makers' International Union was formed and granted a charter in the American Federation of Labor. By this time the Molders' enthusiasm for separate organization had begun to abate since it had been found that when members went on a strike, their places were frequently taken by coremakers who knew something about molding. The offenders justified their course on the ground that molders had seldom come to the coremakers' aid in time of difficulty. Many molders now began to favor amalgamation as a solution for the lack of cooperation between the two unions. It was pointed out that separate organization prevented molders from going on the core-bench whenever a larger number of coremakers was needed than could be supplied by the coremakers' union. Other molders op-

posed amalgamation as a step towards "the level of a miscellaneous branch of the Knights of Labor" and expressed the fear that it would lead the coremakers to depend upon the molders to fight their battles.[24]

Lack of harmony between the two unions soon led to a state of affairs where a serious breach was threatened. The Core Makers felt that if the Molders would only adopt a more liberal attitude toward sympathetic strikes the chief difficulty would be solved. In April, 1897, they asked the Molders' executive board what attitude it would assume in case coremakers became involved in difficulty with a foundry management. The board, in a conservative reply, expressed itself strongly "against rushing headlong into a sympathetic strike" and declared that in all cases union molders must comply with the strike laws of their organization before quitting work in support of any other body of unionists. Several months after the board had stated its attitude toward sympathetic action, trouble occurred in Denver, where molders had been officially authorized to make the cores for a shop which had been struck by the coremakers. In defending the action of his members President Fox declared fair warning had been given that coremakers would not be assisted in disputes into which they might enter with little restraint and that molders, who had never surrendered their right to make cores, could not be expected to drop their tools every time two or three coremakers went on strike. The explanation, however, failed to convince the complaining party that it had received proper treatment.

At the Molders' convention of 1899 the coremaker question was thoroughly discussed. The convention voted to recognize the Core Makers as a separate organization, although the molders' right to make cores, when asked to do so by the foreman, was firmly upheld, except when coremakers were upon a "legitimate" strike. Molders who worked regularly at coremaking were instructed to affiliate

[24] Iron Molders' Journal, July, 1896, p. 289; August, p. 320.

with the proper union. In November, 1899, and again in December, 1901, conferences were held between the contending parties to see if it were possible to reach common ground. On each occasion the Core Makers endeavored to secure exclusive control over their "trade" and to pledge the molders to a policy of sympathetic strikes. The latter, however, tenaciously insisted upon the right of molders and apprentices to make cores when instructed to do so by foremen, and refused to alter their strike regulations. After the first conference the molders took a referendum vote on the question of affiliating all competent coremakers, but the members still preferred a middle-of-the-road policy and defeated the resolution. Disputes between the two organizations continued to arise. In several instances coremakers went on strike when foremen directed molders to assist in making cores.

In 1902 President Fox recommended complete control of coremaking by the Molders as a solution of the jurisdiction problem. Favorable action was taken upon the recommendation. It was voted, first, to invite all competent members of the Core Makers' Union to join the Molders' Union. Secondly, the officers of the Core Makers were asked to take up the amalgamation issue with their members. Thirdly, the Molders' incoming officers were authorized to decide whether an alliance with the Core Makers, involving sympathetic strikes, should be formulated. The Core Makers were also invited through a conference to consider amalgamation. Meanwhile coremakers were to be admitted to membership on a special "coremakers' card." The final action of the convention consisted in revising the constitution to read: "This Union shall have jurisdiction over the trade of molding in all its branches and subdivisions, including coremaking."[25] At their next convention, later in 1902, the Core Makers, more or less weary of strife, decided to submit the amalgamation issue to their member-

[25] Proceedings, 1902, pp. 618, 738, 747, 766.

ship for a referendum vote. Before this action was taken assurance was had from the Molders' officers that consolidation would not mean elimination. When the referendum was taken a majority of 120 out of 3,366 votes cast was found to favor consolidation. Accordingly, on May 2, 1903, the Core Makers' International Union formally turned over its 5,671 members and went out of existence. According to the view of some, the amalgamation of coremakers and molders would appear to be a step in the direction of industrialism. The groups affected, however, look upon coremaking as but one of the processes in molding, that is, the preparation of the inside of the mold.

CHAPTER V

Membership

Apprenticeship and Competency.—The Molders have always considered apprenticeship and competency as joint prerequisites for membership. Competency, indeed, has been supposed to arise in no small measure from the observance of the apprenticeship system. Consequently, a boy who has been reared in the trade as an apprentice under the guidance of qualified journeymen has always been more acceptable as a member than any other person. Furthermore, preference has always been expressed for apprentices who have learned to mold in union shops since the training received in such places has been under the direct supervision of the organization.

The early Philadelphia union limited its membership to "practical journeymen molders," and the Troy union imposed a fine upon members proposing the names of persons who had not served bona fide apprenticeships.[1] The International Union provided at its first convention that "any molder, after serving an apprenticeship of four years at his trade and competent to command the general average of wages, may be admitted to membership in any local union."[2] The helper system, together with the more or less irregular apprenticeship practices of unorganized shops, in time created a group of mechanics who had not served a regular apprenticeship but who were often as competent as if they had done so. Had the union continued to bar such persons, it would have created a permanent body of non-unionists. Accordingly, in 1878 admission was made possible for

[1] Journeymen Stove and Hollow-ware Moulders' Union of Philadelphia, Constitution and By-Laws, 1855, art. 1, sec. 1; art. 2, sec. 5; Troy local union, Minutes, MS., June 18, 1863.

[2] Constitution, 1859, art. 8.

molders who had worked at the trade for four years and were able to prove their competency. In 1902 it was decided that the prerequisite apprenticeship of four years at the trade might take place in any of the branches or subdivisions of the trade, including coremaking.

Competency was first described as ability to command the general average of wages. With the extension of jurisdiction over the molding of stoves, machinery, hollowware, brass, steel, aluminum, and mixed metals, and over coremaking, it proved impracticable to proceed on the basis of the general average wages because different wage scales prevailed in the various branches. Accordingly, in 1902, a molder was declared to be competent if able "to command the general average of wages paid in the branch or subdivision with which he is identified."[3] The fact of competency is something to be decided by the foundryman. If a man can satisfy his employer as to his ability to earn the minimum rate, then he is competent enough to be admitted to membership. If a member's discharge is a case of "victimization," the organization endeavors to secure his reemployment, but where discharge is plainly due to incompetency, the member must suffer for his lack of skill.

One problem in the trade has been the "handy man," an individual described as a "molder, yet not a molder—a man of no skill, yet skilled in making simple work—an enigma."[4] The admission of this type of workman has been steadily resisted by the rank and file of the union although here and there members have suggested a more liberal policy. Strikes against the use of "handy men" as molders have been frequent.

With the advent of the molding machine many employers hired operators who were not practical molders. After a certain period of opposition to the use of machinery for molding purposes the union finally decided to get control of the new devices. When it was discovered that most em-

[3] Ibid., 1902, art. 8, sec. 1.
[4] Iron Molders' Journal, January, 1900, p. 22.

ployers opposed the use of skilled molders upon machines, the union decided in 1907 to admit "any molder competent to operate any machine, squeezer, or other mechanical device used for the purpose of molding castings in sand" without his having served a regular apprenticeship. Persons admitted as machine operators were to "be so designated on their card and due-book" and were not to be permitted to work on the bench or floor without first having served the regular apprenticeship.[5]

Admission of Negroes.—Negroes were first employed in foundries as laborers. In the course of time they proved able to pick up parts of the molding trade, chiefly in stove, sash-weight and pipe shops. White molders, who disliked the competition of the colored "handy man" and association with him, endeavored to stop his progress in the trade by ridiculing his clumsy efforts and his inferior results. Finally, however, the negro's willingness to accept extremely low wages began to cause alarm. Notwithstanding this danger to their wage scales, the local unions in the South for racial reasons entirely excluded negroes from membership through the unwillingness of their members to propose a negro's name. Meanwhile the negro extended his field of operations and improved his skill.

By 1896 the competition of negro molders had become so acute that the executive board, moved in part by complaints from employers of white labor, condemned the "racial prejudices of a past generation" and strongly urged that efforts be made to organize the negroes of the South and thus counteract their "debasing influence" upon the trade.[6] To carry out this plan proved a difficult problem because the negro had not forgotten "the bitter antagonism with which his original aspirations were confronted" and because he feared that preference would be granted the white molder if he demanded equal pay for equal work.[7] The situ-

[5] Constitution, 1907, art. 8, sec. 6.
[6] Iron Molders' Journal, July, 1896, p. 279.
[7] Ibid., July, 1898, p. 328.

ation was further complicated when several local unions, both in the "border states" and in the "Far South," flatly refused to admit negro molders.

In 1900 the international officers definitely took charge of the situation. At their solicitation local union No. 53, of Chattanooga, where the negro molder predominated, agreed to make an effort to organize colored journeymen. A few of the latter took out cards, but they quickly dropped their membership when their employers threatened to make affiliation with unions a cause for discharge. Since it proved difficult to get Chattanooga negroes into a regular local union, a "protectorate" was established over the district through an independent colored local union which paid no dues to the International and which, in fact, was under no obligations of any sort to that body. The latter, however, promised financial assistance to the negro union and stipulated that no white molder would be allowed to take the place of a colored journeyman on strike. The new plan did not work satisfactorily since the negroes seemed to feel that with their inferior skill they were better off out of labor organizations than in them.[8]

For several years the situation remained unchanged, except that the number of negro molders increased. The international officers steadily carried on a campaign of education designed to show the necessity of recognizing the negro. Members contended that the admission of negroes would induce more of them to enter the trade, but the officers pointed out that the union had to deal with a condition, not a theory, since there were already seven or eight hundred negroes employed at molding. The members were asked whether they desired to make the negro an ally or a permanent non-unionist, whose employment would prevent the organization from obtaining control of many important shops. In 1911 the view of the International finally gained

[8] The case mentioned here is the only instance where the Molders have ever formed a local union independent of the central body.

recognition. In that year the Birmingham local union, the largest in the South, not only decided to admit all negro molders and coremakers in its jurisdiction but it also made vigorous efforts to carry out its policy. Since 1911 other local unions have also let down the bars. The actual organization of negroes, however, has proceeded slowly. Race prejudice has by no means been overcome, and the employers of negroes have discovered that it is easy to keep their men out of unions by discharging the first two or three who obtain membership.

Exclusion of Women.—The Molders' Union has "steadfastly frowned upon the employment of women in or about the foundry." It has contended that heavy, dangerous, grimy and dusty work is physically injurious to women and incompatible with their "finer nature," and that the lower labor standards generally acceptable to women constitute a menace to the standards obtained by men. In spite of the union's opposition, women have entered the trade, especially through the core-room. As early as 1884 women coremakers and foundry employees were working in Detroit. At first the experiment with women coremakers was not a success, but before long many foundrymen favored female help because it was believed that trained women could make better cores than men where a nice and careful adjustment was required and because women did not take to unionism.

No particular attention was given by the Molders to the "woman question" till after amalgamation with the Core Makers' in 1903. The number of women in the foundries was comparatively small prior to that time.[9] Gradually, however, the number of women coremakers increased as large industry found it profitable to utilize them. Instead of being a mere industrial curiosity, the female foundry employee now became an industrial problem. At the 1907 convention the seriousness of the situation was fully recognized. Thus far no provision covering female labor had

[9] In 1897 only forty-six women were reported as working at molding, including coremaking.

been incorporated into the rules of the union although the employment of both women and children had always been discouraged. It was now decided to bend every effort to eliminate female labor from the foundry, and to this end it was voted to fine any member, honorary or active, who gave instruction to "female help in the foundry at any branch of the trade."[10] This fine was not to exceed fifty dollars, and for a second offense the offending member was to be expelled. During the next few years several strikes were called against the employment of women coremakers.

In spite of these rules, women coremakers continued to increase in non-union foundries. In the malleable iron trade is was reported in 1912 that 1,039 women were engaged at work in ninety shops. In order to reach establishments where labor organization would prove very difficult, the Molders endeavored to secure restrictive legislation. In 1910 a bill to prohibit the employment of woman coremakers was introduced in the New York legislature but it failed to pass. At the next session of the legislature the bill was reintroduced and the International sent a lobbyist to work for its passage. In 1912 the preliminary report of the Factory Investigating Commission of the State of New York appeared, in which it was recommended that female labor in foundries be prohibited. Largely as a result of the Commission's report, the legislature in 1913 passed a bill which prohibited the employment of women in core-rooms containing core ovens, and authorized the State Industrial Board to adopt regulations covering the size and weight of cores which might be made by women. In formulating its rules the Board ordered that women should not be allowed to handle cores having a temperature of over 110 degrees Fahrenheit, or to work at tasks where the combined weight of the core, corebox, and plate exceeded twenty-five pounds.[11] Soon after the enactment of the New

[10] Proceedings, 1907, pp. 93, 116, 157, 169, 180.

[11] J. O. O'Leary, "New York State Foundry Rules Recently Adopted," in International Molders' Journal, July, 1915, p. 501.

York legislation, Ohio and Pennsylvania passed bills making fifteen pounds the maximum combined weight of corebox, core, and plate which women were permitted to handle. The passage of restrictive legislation in all three States soon had "a marked effect on some of the trust foundries," where, according to reliable witnesses, women had worked on cores "the combined weight of which would be over 150 pounds, requiring three or four women to roll them over."[12] In Massachusetts and New Jersey "female coremakers' bills" were introduced, but failed of adoption.

At both the 1912 and 1917 conventions resolutions were offered to admit women coremakers on the ground that they were "here to stay." The delegates, however, refused to alter the policy of the union. In 1912 women coremakers in Boston went on strike. Local union No. 106 of that city asked the executive board to give the strike financial support, but the board refused to lend its recognition or encouragement to the movement.[13]

Honorary Membership.—The Molders have never allowed members to resign from the union. To permit the severing of membership by resignation would enable persons who violate union rules to avoid union discipline. Non-active or honorary membership, however, has been recognized at all times. The Troy union on June 9, 1859, voted that members no longer employed at the trade should be given the privilege of becoming honorary members, exempt from all dues and assessments. When the International Union was founded, it allowed active members who desired to quit the trade to be placed upon an "honorary list." Upon their return to the foundry floor such persons became entitled to "clear" cards for which dues were to be paid from the date of deposit in a local union. In 1872 the "honorary card" was adopted in place of the "list" be-

[12] Letter to the writer from Editor John P. Frey.

[13] International Molders' Journal, January, 1913, p. 30. The census for 1910 gave the number of women employed in all foundries as 1,298.

cause it afforded better proof of a member's status. In 1876 it was provided, further, that "any practical molder not following the business and in good bodily health and qualified by the articles of this constitution" might become an honorary member upon "taking the obligation, signing the constitution, and paying the initiation fee."[14] After 1886 this scheme was abandoned since there was no particular advantage in attaching to the union persons who were non-active from the date of their affiliation. In 1899 a third class of honorary members was created when the convention endorsed an official decision that members receiving disability benefits should be granted retiring cards and should not receive further benefits.[15]

Not until 1868 did the rules say anything about the status of members who became foremen and employers. It was then provided that honorary membership might be granted to foremen who were clear on the local union books, excepting foremen of cooperative shops, whose crews, from top to bottom, were considered journeymen. Amendment was made to the rule in 1876 when honorary membership was forbidden to a foreman who worked on the floor and thus took the place of a journeyman. This regulation still obtains. In 1895 honorary membership for employers and foremen became compulsory instead of optional. Four years later it was voted that the new rule should not be construed as "applying to members of a cooperative foundry or those holding shares in a joint stock company, who work at the trade."[16] In 1907 the union returned to its original policy and made honorary membership optional for employers and foremen on the ground that mere advance in rank was not to be "contrued as leaving the trade."[17]

The existing rules relating to honorary standing may be briefly summarized by stating that such standing must be

[14] Constitution, 1876, art. 9, sec. 8.
[15] Ibid., 1899, Decision No. 30.
[16] Ibid., 1895, art. 11, sec. 2; Proceedings, 1899, p. 179.
[17] Constitution, 1907, art. 11, sec. 2.

assumed only by members who have drawn disability benefits, and that as for others who cease work as journeymen, active membership may be maintained if it is desired. As a matter of course, most members entitled to honorary cards decide to draw them.

Expulsion and Suspension.—For many years suspension and expulsion went unregulated by the International Union. The lack of uniformity which prevailed had a demoralizing influence, since in some local unions it was very easy to expel a member while in others even a reprimand was difficult to obtain. Uniform procedure relative to expulsion was finally provided in 1873 when a decision by President Saffin was sustained by the convention. The decision held that before a member could be expelled he must be given an open trial before a committee of his local union, after charges had been submitted in writing, and that the vote to expel must be carried by a two thirds majority. The convention of 1876 provided the same procedure for suspension, fines, and reprimand as for expulsion and regulated the method of voting upon the various penalties. In 1895 it was ordered that where a verdict in favor of expulsion had been rendered, a synopsis of the charges, testimony and findings be submitted to the president of the International Union for approval, and that the defendant be given the right of appeal to the executive board as a final court. Although this rule made the local unions observe more care in cases of discipline, the number of members expelled and suspended annually continued to be large, as witnessed by the fact that there were 6,934 reinstatements in 1912 and 5,254 in 1914. In order to prevent local unions from placing prohibitive financial penalties upon expelled members, the convention of 1902 placed a limit of $50.00 upon all fines.

Reinstatement and Amnesties.—The first general rule to be adopted relative to reinstatement was an approved presidential decision declaring that a suspended or expelled mem-

ber could be reinstated only by the "direct vote" of the union which imposed the penalty, "on payment of all indebtedness."[18] This regulation was designed to prevent the regaining of good standing through local unions where the records of applicants were not known. In 1886 it was provided that a member suspended for non-payment of dues might be readmitted, after paying his indebtedness, by a majority vote of his union. In 1890 the same rule was applied to all suspended and expelled members. At present a member suspended for non-payment of dues is reinstated automatically on payment of his debts, but an expelled member, after paying all fines against him, must again be "obligated."

In times of stress the American trade union has frequently been very lenient with delinquent, suspended, or expelled members in order to prevent the creation of a large body of potential or active non-unionists. During such times it has been the policy to proclaim "amnesties" and to extend forgiveness for past delinquencies usually upon payment of a sum of money much smaller than is ordinarily required for reinstatement. The Molders have granted amnesties of two types, local and general, both of which have been under the control of the International Union.

In his report to the convention of 1867 President Sylvis declared that a "general pardon to delinquents could be adopted with great advantage to the organization." In the early years of the union many molders thought it "an experiment not likely to succeed, while others doubted the correctness of the principle upon which it was founded and others kept aloof from it for want of moral courage to meet the opposition of employers." With the progress of the organization, continued the report, "many of these men, through conviction or force on the part of the union, became members and have since become delinquents, and are now either suspended or expelled; and many of them express

[18] International Journal, February, 1873. p. 10.

a sincere desire to be reinstated, while they remain out from fear of the fines and penalties that might be imposed were they to apply for admission." Many molders who had been expelled, not for scabbing but for non-payment of dues and taxes, were "kept away by the size of the bills against them." Sylvis estimated that at the time there were in the union's jurisdiction more than 2,500 non-members who comprised "the reservoir from which the employers expect to draw their aid in cases of difficulty."[19] The convention accepted the president's advice and authorized him to offer a general amnesty to all suspended and expelled members upon their paying one half of the amount due their respective unions on or before August 1, 1867. Molders twice expelled were excluded from these provisions. One year later Sylvis reported that the amnesty, which had been extended on February 2, 1867, had resulted in bringing a large number of men back into the union. Since there continued to be need for leniency in some foundry centers, the 1868 convention decided to allow each subordinate union to offer local amnesties on such terms as they saw fit, provided that no member be excused from paying delinquent taxes due the International Union. The same policy was continued in 1870. In the next two years several unions voted to readmit members in arrears upon payments running from five to fifteen dollars. The success of the movement varied in different places. Considerable dissatisfaction resulted from the lack of uniformity in the terms offered by the various local unions. To remedy this situation the international president was authorized in 1872 to readmit all suspended members on payment of five dollars.

The panic of 1873 presented a problem in the hundreds of members who were suspended or expelled for non-payment of dues. It was soon felt that employers were taking advantage of the situation and that self-preservation required the union to make "a grand effort to unite every

[19] Proceedings, 1867, p. 20.

molder in the country against the common enemy."[20] In 1876, therefore, the president was empowered to reinstate suspended or expelled members upon payment of such amounts as he might fix. Since local unions were not prohibited from offering amnesties of their own, the president threw the burden of the program upon them. In many cases the local unions responded satisfactorily and the desired reorganization, as it was termed, was achieved. Sometimes, however, "it was hard to persuade a local union to remit a fine or reduce a bill of taxes" even though "such action was the cause of keeping out men . . . who had become suspended, etc., for want of means to pay taxes." Consequently, President Saffin was again given power in 1878 to grant amnesties for reorganization purposes where local unions refused to do so. In October of that year Saffin gave notice that he would reinstate suspended members on payment of five dollars, provided applications were made within sixty days. The resistance of the refractory local unions then broke down, local amnesties were offered almost universally and an immediate increase in membership took place.[21]

The last half of the eighties also proved a difficult time for the Molders. Membership was at a low ebb and suspensions and expulsions took place with great frequency. In order to save the situation the convention of 1886 advised local unions to grant amnesties to suspended members for a term of six months and also urged that they "be as lenient as possible in the amount they shall pay for reinstatement."[22] A general amnesty, however, was held to be inadvisable at the time. Until the end of the panic of 1893, local amnesties were frequent. The panic years threw about two thirds of the membership out of employment. Conditions became so bad that at the 1895 convention a general amnesty, to last until January 1, 1896, was declared.

[20] Iron Molders' Journal, August, 1876, p. 68.
[21] Ibid., October, 1878, p. 49.
[22] Proceedings, 1886, p. 27.

All members in difficulty with the union, except those expelled for defrauding the organization, were ordered reinstated upon payment of three dollars, the equivalent of twelve weeks' dues.

Since 1895 no general amnesty has been granted. However, when the fight with the National Founders' Association began in 1904, the executive board recommended that machinery-molders' unions reinstate suspended members, except embezzlers, until July 31, 1905, for $5.50. By this plan it was hoped to keep the Founders from capturing suspended members and persuading them by means of liberal wages to act as strike breakers. The Molders have had no occasion for amnesties during the past fifteen years for several reasons. In the first place strengthened beneficial features have made membership much more desirable than it once was. Again, out-of-work benefits for thirteen weeks, plus the right to an honorary card at the expiration of that period, now seem to make suspension entirely unnecessary so far as the payment of dues is concerned. Thirdly, whenever for any cause suspensions or expulsions have occurred, the union has been strong enough to compel delinquents to secure reinstatement by settlement in full.

CHAPTER VI

Finance

The International Union.—(*a*) *Revenue.* The first revenues of the union were raised in a very simple way. Each affiliated union was required to pay ten dollars annually and, in addition, was assessed a similar amount for each delegate allowed at the general convention. In 1860 a more equitable plan was established under which each local union was required to pay a per capita tax of five cents per month. As the union grew, more revenue was needed. Accordingly, the 1865 convention voted to levy a semi-annual tax of two dollars per member. In 1867 additional financial needs led to the imposition of a per capita of fifty cents per month. The next year this levy was reduced to twenty-five cents. In 1890 dues were increased to forty cents per month so that they might "cover all expenses." The receipts were to be apportioned to "funds" as follows: to the benefit fund, sixteen per cent; to the monthly or general fund, twenty-six per cent; to the strike fund, fifty-eight per cent. In case of emergency the executive board was empowered to draw on one fund for the advantage of another.

The International Union has always obtained extraordinary revenue by the imposition of assessments collected through the local unions. In 1863 the constitution provided that deficiencies might be met by a "pro rata assessment levied on the average wages of each subordinate union."[1] Since local unions proved dilatory in forwarding their assessments, the 1864 convention created a contingent fund for strike purposes by the levy of a five per cent tax on wages during the months of September and October of that year. By having money on hand the union felt that it would be in a

[1] Constitution, 1863, art. 6, sec. 1.

better position to conduct disputes with employers. Three years later this plan was abandoned as inadequate, and the president, with the consent of the majority of the corresponding representatives, was allowed to levy an assessment upon local members at any time, provided it did not exceed five per cent of the wages earned. By 1876 the maximum of five per cent on earnings was dropped. In sending out a strike circular the president of the general union was to "prepare a statement, to be appended thereto, of the exact amount of money that will be required weekly from each union to sustain the said strike."[2] In 1882 it was again deemed advisable to create a strike fund by the levy of one dollar for each member, to be collected as the local unions desired. The next convention, however, reverted to the old plan of irregular levies imposed by the executive board. A limit of one dollar per quarter was placed upon the assessments, but in 1888 it was removed as it was found that the receipts sometimes fell short of needs, thus making it necessary to borrow funds from the monthly income for payment of strike benefits. The constant change in policy during all these years was due to efforts to raise funds, whose amount could not be predetermined, with as little burden and annoyance as possible.

The increase in dues in 1890 proved very satisfactory. All payments to the International were consolidated under one head. Altogether it was one of the notable measures in the union's financial history, and it came at a time when the organization was stable enough to afford benefits commensurate with the higher payments required of members. After experience had shown the benefits of consolidated and increased dues, the Molders in 1895 inaugurated their "high-dues policy" by the imposition of a levy of twenty-five cents per week per capita, about double the previous average dues, local and international combined. Prior to this time local dues had been left to local deter-

[2] Ibid., 1876, art. 6, sec. 3.

mination, subject to the approval of the general president. The legislation of 1895, however, fixed the local as well as the international dues. Here again the interests of simplicity and convenience were served and "the trade union doctrine of equal benefits for equal dues" was effectively put into practice. The new dues, like those of 1890, were divided into several funds. Ten cents was to be forwarded to the international treasurer who was to apportion sixteen per cent of the sum to the death-and-disability-benefit fund, twenty-six per cent to the monthly fund, and fifty-eight per cent to the strike fund. Fifteen cents was left in the care of the local unions. Eight cents of this amount was to be held in trust for sick-benefit payments, and seven cents was to go into the local treasuries. Strengthened beneficial features and increasing emphasis upon militant unionism were the two causes for the high-dues policy.

The fight with the National Founders' Association and the needs of the conference boards after 1902 entailed such large expenditures that the executive board was compelled to resort to large and frequent special assessments. A demand for increased dues was at once created by the shortage of funds. Local unions everywhere were pushing grievances, strikes abounded, and the whole organization proved intent upon fighting vigorously against hostile groups of employers. Since special assessments were as unpopular as ever, the 1907 convention met the situation by making the dues forty cents per week. Death and disability benefits, strike benefits and administrative expenditure were awarded twenty-three cents; sick and out-of-work benefits, eight cents; local unions, nine cents. In March, 1917. by referendum vote dues were advanced to fifty cents per week in order to increase strike benefits to $9 per week. Later, in 1917 dues were raised to sixty cents per week in order to give better support to movements for shorter hours and for wage increases. Thirty-six cents was given

to the headquarters' fund, eleven cents to the benefit fund, and thirteen cents to the local fund.[3]

It has well been said that the Molders' progress "can be measured in a large degree by the changes in their financial system. They were weak when their dues were low. . . . They set their feet upon a solid foundation only when they determined to pay sufficient dues" to pay strike benefits to every striker and to develop their beneficial features to a point where membership was made attractive.[4] Their position as one of the leading "high-dues" unions enables them to enjoy first class leadership, effective organizing agencies, up-to-date business methods, and able legal defense.

The initiation fee charged by local unions varied from fifty cents to $6 in different unions until 1867, when it was made $5 throughout the union. In 1878 the fee was reduced to $3, but in 1895 it was reestablished at $5, where it still remains. Two dollars out of the fee is forwarded to the international treasurer while the remainder goes to the local funds.

Minor sources of income are found in a charter fee of $5 exacted from new local unions, and receipts from fines, the sale of supplies, subscriptions, and advertisements placed in the official journal. Union cards were once sold to local unions, but they are now supplied gratuitously.

The receipts of the International Union from 1860 to 1917 are shown in the following table:[5]

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[3] It should be noted that in 1907 the union gave up the policy of dividing the receipts at headquarters into three funds—death and disability, strike, and monthly—and simply lumped everything into one account, thereby saving a considerable amount of bookkeeping. The separate funds in reality meant very little as the trustees were constantly transferring money from one to the other.

[4] International Molders' Journal, April, 1915, p. 281.

[5] For the figures from 1860 to 1902 in this table and in others following, the writer is partly indebted to Sakolski, "The Finances of the Iron Molders' Union," in Hollander and Barnett, Studies in American Trade Unionism, pp. 83–107.

Years	Receipts	Average per Year
1860	$ 6,125.06	$ 6,125.06
1861	1,605.14	1,605.14
1862	.....	.....
1863	17,668.35	17,668.35
1864	5,257.97	5,257.97
1865	14,659.44	14,659.44
1866	44,646.71	44,646.71
1866–68	48,977.75	24,888.88
1868–70	28,780.49	14,390.24
1870–72	48,254.94	24,127.47
1872–74	41,967.78	20,983.89
1874–76	48,279.13	24,139.56
1876–78	37,801.17	18,900.58
1878–82	79,625.00	26,542.00
1882–84	83,206.19	41,603.09
1884–86	82,842.42	41,421.21
1886–88	102,395.69	51,197.84
1888–90	142,753.77	71,376.88
1890–95	370,280.84	74,058.16
1895–99	525,709.72	131,427.48
1899–02	902,573.92	300,857.97
1902–07	1,477,024.96	295,404.99
1907–12	2,522,350.89	504,470.18
1912–17	2,974,292.77	594,858.55

(*b*) *Expenditures.* Strike disbursements in the Molders' Union for twenty years have been "larger than those of any similar organization, and have at times amounted to more than three fourths of its total revenue."[6] In this way the union in 1913, for example, spent on strikes a sum exceeded by only one other union, the United Mine Workers.[7] In the early years of the union strike expenditure exhibited considerable variation in volume. Frequently the stronger local unions went out on unauthorized strikes and in that way cut themselves off from strike pay. Since about 1882 the stoppage of independent strikes and the growth in territorial jurisdiction and membership have caused a continually increasing strike expenditure by the International Union. In certain years, however, extra large sums have been expended in fighting hostile employers' associations. For example, in 1900 a strike against the Cleveland branch of the National

[6] Sakolski, p. 87. For a discussion of expenditure for beneficial features, see chap. vii.

[7] The Molders paid out $459,722.48; the Miners, $1,200,796.93.

Founders' Association, which lasted eleven months, involved strike payments amounting to $104,630. During the years 1902–1907, when conflict with the Association became general, the union was forced to raise by assessment the sum of $408,148.95 to supplement its regular defense funds. Recent movements for increased wages, shorter hours, and recognition of the union have been responsible for most of the large amounts spent for militant purposes. As far as possible the Molders now endeavor to be an offensive, rather than a defensive, body. Since 1891, when the agreement with the Stove Founders' National Defense Association went into effect, all strike expenditure in the stove branch has been confined to disputes with shops independent of the Association.

The following table shows what has been spent for strikes out of the general treasury. Local expenditures have never been reported in full.

Years	Cost	Yearly Average
1860	$ 5,111.60	$ 5,111.60
1861	1,115.00	1,115.00
1862	.....	.....
1863	10,329.89	10,329.89
1864	17,260.00	17,260.00
1865	6,000.00 [a]	6,000.00 [a]
1866	25,000.00 [a]	25,000.00 [a]
1866–68	9,500.00	4,750.00
1868–70	5,350.00	2,675.00
1870–72	32,209.78	16,104.89
1872–74	20,788.82	10,394.41
1874–76	16,117.46	8,058.73
1876–78	15,568.65	7,784.32
1878–82	19,894.63	4,973.65
1882–86	56,343.53	14,085.88
1886–88	33,883.54	16,941.77
1888–90	67,964.32	33,982.16
1890–95	209,967.52	41,994.38
1895–99	175,704.49	43,926.12
1899–02	334,113.68	111,371.22
1902–07	1,477,173.46	295,434.69
1907–12	1,176,548.11	233,309.62
1912–17	1,723,287.51	344,657.50

The most important item in the group of administrative

[a] Approximate.

expenditures has been the cost of organizing. It includes the salaries and expenses of the officials engaged in organizing locals and in settling trade disputes. "In the early days the revenues of the . . . union were too much limited to permit extended activities of this kind. Whatever was accomplished was done either voluntarily by local leaders or by the president of the National Union largely at his own expense."[8] For example, in 1863 President Sylvis was compelled to finance his famous organizing trip by soliciting donations from local unions as he went along. In 1864 the convention made Sylvis a grant of $350 in payment of his services during the preceding year and also voted the president a future salary of $600 with travelling expenses. By gradual stages the president's salary has been increased to the present amount of $3,750. Vice-presidents received only the pay due them as members of the executive board down to 1888, when the one vice-president then provided for was made assistant organizer and granted a salary of $1,000 per annum with travelling expenses. The first vice-president now receives $2,750 and his six associates receive $2,400 per year, with expenses. Owing to their extensive and frequent trips the expenses of the vice-presidents have constituted a notable item since the early nineties. Special organizers have had their compensation fixed from time to time by the executive board.

The Molders consider that the costs of organizing are reproductive expenditures. Sakolski says:

> It is estimated that the increase in membership resulting from organizing efforts not only adds to the efficiency of collective bargaining on the part of the Union, but actually strengthens its financial resources in that the dues paid by the new members soon exceed the expense entailed in organizing them. Moreover, the services of the organizers in settling trade disputes and in arranging conferences with employers prevent wasteful expenditure for strikes.[9]

The following table shows the cost of maintaining the organizing staff since 1899:

[8] Sakolski, p. 96.
[9] Ibid., p. 97.

	1899–1902	1902–1907	1907–1912	1912–1917
President	$ 6,000.00	$18,275.00	$22,500.00	$ 23,800.00
Vice-Presidents	32,473.65	66,775.00	74,700.00	135,580.52
Special organizers	10,039.79	39,605.10	60,392.68	42,871.82
Miscellaneous organizing expenses		9,364.31	18,463.06	10,845.77

The cost of office management has never been heavy as compared with the volume of business transacted. The salaries of the officials and clerks have been comparatively small. The first officer after the president to be granted a salary was the treasurer who, in 1866, was awarded $300 per year, with travelling expenses. His present pay is $2,230.40. The secretary and his assistant were paid $6 per day during conventions, beginning with 1867. At present they receive $2,500 and $2,230.40 per year, respectively, The office of financier, when created in 1895, carried with it $1,000 per year. Now it yields $2,500. The assistant financier is paid $2,230.40. In 1895 the editor of the official journal was given but $75 per month. The present salary is $2,500 per year. These officers are all entitled to convention mileage and a fixed daily amount for expenses. The executive board members, who were granted mileage and $3 per day in 1878, now obtain $25 per quarter and $6 per day while engaged upon their duties, plus mileage and hotel expenses. The expenditure for the executive board has been steadily growing with the greater frequency and length of board meetings. The average annual cost for the term 1912–1917 was $3,719.35.

The largest items included under office expenditures are those of printing, stationery, and postage. During the term 1907–1912 these items required the expenditure of over $90,000 out of the $153,986.06 devoted to office use. An enormous amount of printing and correspondence is involved. In this connection, Sakolski states:

> Besides the quarterly reports, circular returns, remittance blanks, voting papers, and numerous other printed papers, circulars, and reports, all of which must be sent to the officers of every local and by them submitted to the members, there is the printing and

distribution of constitutions, executive board conferences and convention proceedings, entailing a correspondingly heavy expenditure for postage and expressage.[10]

The cost of printing and publishing the official journal is at present only partly met by the general union. Since 1894 members subscribing to that publication have been required to pay a nominal price of twenty-five cents per year. The net cost of the journal since 1896 has ranged from $2,000 to $10,000 per annum. Subscriptions and advertisements now return about fifty per cent of the expense of the publication.

From the outset the general organization has paid mileage and a per diem to all convention delegates. On several occasions the heavy expense for conventions "has brought the organization to the verge of bankruptcy." The interval between conventions was increased in 1866, in 1878, and again in 1890, largely for purpose of economy. Part of the expense of conventions has been due to the protracted sessions. Efforts have been made to reduce their length, but with little success. As the union has increased in size the representation of local unions has also been decreased in the endeavor to cut expenses.

The following table shows the expenses of each general convention since 1874:

Date	Number of Delegates	Days in Session	Cost in Mileage and per Diem
1874	87	9	$ 5,609.03
1876	78	9	3,844.60
1878	54	9	2,926.35
1879	28	4	797.20
1882	153	11	11,479.08
1886	249	11	10,539.18
1888	271	10	13,664.27
1890	108	10	17,143.36
1895	312	13	14,005.00
1899	311	14	24,019.68
1902	385	20	50,670.72
1907	468	19	45,563.79
1912	397	19	47,553.73
1917	415	19	55,725.09

[10] Ibid., p. 98.

Per capita taxes and assessments paid to the American Federation of Labor, the Metal Trades Department of the Federation, the Canadian Labor Congress, and the Union Label League, together with the expenses of delegates to the first three organizations, totaled $38,628.29 for the term of 1912–1917. Conference meetings with the Stove Founders' National Defense Association for the same term required $3,645.13 and conferences with local employers cost $5,886.14. Conference boards of local unions have drawn rather heavily upon the general union within recent years.

Litigation has recently become an important item in expenditure. Prior to 1899 the organization spent but little money in this manner. "In fact, from 1890 to 1895, the single recorded item was fifty dollars for attorney's fees, and in the four years following the total expenditure was only $187.36. More recently, however, the resort of employers to the use of the injunction against striking iron molders has led to larger expenditures."[11] The union at present does not always stand on the defense. In a number of recent instances it has brought suit for damages against foundry firms on the ground of conspiracy. The expenses for litigation since 1899 have been as follows: 1899–1902, $5,147.86; 1902–1907, $7,363.59; 1907–1912, $15,788.32; 1912–1917, $30,979.42. These amounts include what the International Union has spent directly and the sums advanced to local unions.

(*c*) *Financial Administration.* A large part of the Molders' success in securing financial stability may be attributed to their system of fiscal administration. In the early years of organization a "crude and defective procedure" was followed, but at the present time a "highly efficient system of financial control" obtains. The first administrative provisions were extremely simple. The president drew all orders upon the treasurer for the payment of moneys legally expended. Here his responsibilities ceased and the detailed care of finance was left to the treasurer. In 1886

[11] Ibid., p. 100.

the growth of the organization necessitated the employment of a salaried financial secretary whose duty it is to keep a regular book account of all transactions between the central office and the local unions and to publish at regular intervals full financial statements. Money received by the secretary from local unions is now transferred to the treasurer, excepting a small amount allowed for office expenses. The president countersigns all orders drawn by the secretary on the treasurer. According to Sakolski:

> The inauguration of the sick benefit in 1895 led to the appointment of an additional fiscal officer, known as the financier, charged with the special duties of keeping record of the standing of individual members, the amount of tax paid by each local union, and the condition of the sick-benefit funds. He received from the local financial secretaries and correspondents regular monthly reports, giving the names of all members paying dues, the amount of sick benefits paid to each, and the condition of the local sick-benefit fund.[12]

The financier, as supervisor of the finances of the local unions, soon proved his value as a check upon abuse of the beneficiary system, because he had all the local-union figures before him and could easily detect and investigate abnormal benefit payments that savored of fraud.

Financial officers have been placed under bond with reputable bonding companies and have not been allowed to hold sums of money in excess of specified amounts. The treasurer is required to place the reserve funds in the custody of the trustees who are joint guardians of all accumulated balances. The trustees must deposit their funds in some accredited bank in their own names and in that of the international president in order to reduce the liability to misappropriation. The bonding of local-union officers was left entirely to the subordinate bodies until 1907, except that two of the special agents handling strike funds, the receiver and the paymaster, were made to give bonds in amount acceptable to the general president. Gradually it became customary for local unions to require sureties for other fiscal officers, and in 1907 the convention ordered all local cor-

[12] Ibid., p. 102.

responding secretaries, financial secretaries, and treasurers to be bonded for sums not less than $250. Most of the business of bonding local officers was done by surety companies until 1907 when the International Union decided to bond such officers on its own account. To this end it organized a Fidelity Department under the administration of the financier. Rates for bonding were fixed according to the size of the bonds and the membership of the local unions. Bonds were to be issued only when local unions complied strictly with the constitutional provisions relating to the audit of their accounts. If any union should refuse or neglect to comply with the rules in this respect after being notified by the financier, the bonds of the officers were to be cancelled. In this way the bonding system was made the capstone of the auditing system. All receipts from bonding were ordered placed in a separate fidelity fund, from which, in turn, all expenses of the Department were to be paid.[13] For the term 1912–1917 the receipts of the Fidelity Department, including the balance carried forward and interest, were $35,658.11 and its expenses were $14,961.21, leaving a favorable balance of $20,696.90. The Department has been successful in providing cheap bonding rates, in reducing red tape, and in eliminating cases of embezzlement.

The convention of 1859 ordered that the treasurer should make an annual report, which was to be submitted to an auditing committee by the convention receiving it. When the board of trustees was created in 1882 it was given power to require full details from the president and treasurer concerning their financial transactions, and it could order them to publish financial statements, individually or jointly, through the official journal. In 1879 the convention gave the board power to appoint an auditing committee from the union or unions in the vicinity of the executive office to examine and report on the president's books every six months and to look into the accounts of other financial of-

[13] Constitution, 1912, art. 12.

ficers, if the board so desired. Since 1912 one auditor each has been selected by the four local unions nearest international headquarters to go over all financial accounts. An even more effective means than auditing for discovering discrepancies in the accounts of general officers has been the requirement that both the secretary and the treasurer issue simultaneously quarterly reports containing itemized statements of the accounts of the local unions with headquarters and further detailed financial information.

For many years the local unions were very careless about remitting per capita taxes and assessments to the International. "Besides the acknowledged arrearages there was considerable outright evasion of the per capita tax by the local unions, the president reporting in 1895 that 'from careful calculation,' he 'had come to the conclusion that less than seventy-five per cent of the per capita tax reached the coffers of the national organization.'"[14] When a system of uniform dues and benefits was established in 1895, "sufficient control was acquired over the local funds to insure the financial solidarity of the organization. To minimize losses a plan of collecting union revenue, described as the 'stamp receipt system,' was instituted . . . and is now in force. According to this plan, each local union in return for the per capita tax remitted . . . , receives from the general secretary an equal amount in stamp receipts. These stamp receipts are affixed to the members' books upon the payment of dues, and no member is considered in good standing unless he can show, for the period covered, the requisite number of stamps properly dated and cancelled. Since no other form of receipt is recognized . . . , and remittances must accompany orders for stamps, the local unions have little opportunity to evade their share of the per capita tax or benefit assessments."[15]

The corresponding secretary in each local union is "employed to secure efficient fiscal relations" between the

[14] Sakolski, p. 105.
[15] Ibid., pp. 105–106.

International and his union by acting as the fiscal agent of the former. He sends all local remittances to the general treasurer and acts as the receiver of all funds sent to the local unions for strikes or other purposes. Benefit has also been derived from the introduction of uniform methods of bookkeeping in the local branches. In 1907 each local union was required to elect a board of auditors whose findings were to be returned to the financier's office where they were to be checked up against figures in that officer's possession.

Conference Boards.—The chief revenue of the conference boards has been obtained from per capita taxes, varying in amount from five to twenty cents per month, levied upon the membership of affiliated local unions. Not long after the formation of the different boards their work increased to such a degree that this tax provided insufficient revenue. The services of the boards were so valuable that the International Union decided to grant them from $6 to $10 per week for stated brief periods. In 1899 a general allowance of two cents per member per month was granted all boards that were already doing as much for themselves as could be expected. In 1907 three cents was paid; in 1912, five cents. Since 1907 the International has also granted in special cases "such other sums" as have been "found necessary." Conference boards have always obtained most of their receipts from their own taxes. For example, during the term ending June 30, 1917, local unions paid to the boards $210,289.93, or twice the amount obtained from the International. The expenditures of conference boards have consisted chiefly of the salaries and expenses of business agents, office rent, and stationery. The following table shows the amount of subsidies paid by the International Union to conference boards from 1895 to 1917:

Years	Amount	Yearly Average
1895–1899	$ 833.15	$ 208.29
1899–1902	5,100.28	1,700.09
1902–1907	35,435.10	7,087.02
1907–1912	69,716.58	13,943.32
1912–1917	101,157.97	21,031.59

Local Unions.—Since 1895 local unions have obtained the bulk of their revenue from their share of the regular per capita taxes. Minor receipts have been derived from fines and rather infrequent special assessments. Local expenditures were formerly largely for strikes and lockouts. At present local unions depend chiefly upon international support to finance trade difficulties, yet they may draw upon their own funds or solicit contributions from other local unions to supplement the general strike benefits. The greater part, however, of the revenues of the local unions is expended for officers' salaries, hall rent and printing.

CHAPTER VII

Mutual Insurance

Death and Disability Benefits for Active Members.—The early molders' unions in a few instances paid small death or funeral benefits. In some cases, as with the New York union formed in 1849, payment of the benefits was put forth as one of the chief objects of organization. The question of establishing some kind of a "benevolent fund in connection with the local unions" first came before the general convention in 1861. Owing to the fact that many subjects of more fundamental importance confronted the young organization at that time, the matter was laid upon the table. However, several unions proceeded to act upon their own initiative and instituted death benefit systems. In 1864 proposals were made for a "national benefit feature" but the convention felt that it would be unwise to enter upon the unknown seas of mutual insurance until the local unions had been given more time to experiment. At several conventions the question was reopened but it was not until 1870 that favorable action resulted. By this time it had become evident that there were important advantages in paying benefits through the general union instead of through local unions. In some cases membership in local beneficiary systems was compulsory. Travelling members complained that it was unfair to force them to pay beneficiary fees while they belonged to certain local unions and then to deny them any right to benefits when they moved to other jurisdictions. In order to eliminate dissatisfaction in this connection it was decided to experiment with a national benefit plan.

On October 1, 1870, the "Iron Molders' Beneficial Association of North America" was inaugurated with provisions for death and disability benefits for any union

member in good standing for a period of at least three months. Membership in the Association was made voluntary. A permanent fund was to be created by the payment of one dollar by each member and further money was to be secured by assessing members fifty cents on the death or permanent disablement of any member. Forty cents out of each assessment was to be set aside toward the payment of the benefit. All payments were to be made to the treasurer of the international union and the international president was made the chief administrative officer of the Association. As a result of this action the Molders achieved the distinction of being the second trade union in America to create a general system for paying death benefits, the first organization being the Cigar Makers in 1867. The scheme proved quite successful for some time. In a few cases local unions affiliated as a whole. Assessments were also "paid with a degree of regularity that permitted prompt remittance of benefits." Gradually, however, interest in the Association declined. Members complained at the amount of the assessments in spite of the fact that they were getting "the cheapest insurance in the world."[1] Fewer and fewer molders joined the Association as the years went on and many old members dropped out. "The yield of the assessment fell off, and in 1882 the whole plan was abolished. The highest membership attained by the Association was twelve hundred. Previous to 1874 the individual claims paid often amounted to five hundred dollars." After that date the sum paid on claims fell as low as one hundred and forty dollars and the expense of administration became as high as fifty per cent of the amount of the benefits paid.[2] The total benefits paid amounted to about $18,000. The failure of the Beneficial Association was caused by the voluntary character of the organization, by the annoyance occasioned by irregular as-

[1] The assessments for six years and seven months following the introduction of the plan amounted to only $27.50.

[2] Sakolski, pp. 90–91. During the early years of the Association the administrative expenses were under ten per cent.

sessments, and by the lack of employment growing out of the panic of 1873.

Even before the Association was abandoned in 1882, two other plans for the relief of distressed members were adopted. In 1874 it was decided to pay a graded superannuation benefit to members of twenty or more years good standing who should become disabled by accident or incapacitated by age after August 1, 1879. The purposes of this measure were to afford relief to the older members and to afford "an incentive to younger members to keep in the union." To secure the initial funds for the venture the president of the union was ordered to invest $1,000 every six months in United States six per cent bonds until $5,000 had been accumulated.[3] Sentiment soon favored the abandonment of the proposed superannuation feature and the substitution of a funeral benefit. Accordingly, in 1878 it was ordered that the accumulated superannuation funds be turned over to the international treasurer for investment in a sinking fund out of which a benefit of $100 was to be paid upon the death of any member who had been in good standing for at least one year. Every six months after January 1, 1879, the treasurer was to increase the fund by adding to it twenty-five per cent of the monthly taxes collected, or seven and one half cents per member.[4] As soon as President Saffin was called upon to transfer the superannuation fund it came to light that he had appropriated the money for his own use. For this offense a special convention in 1879 removed him from office but the amount embezzled was never recovered.

With the superannuation fund irretrievably lost, the union was able to count only on the allotment from the monthly taxes as a means of securing revenues for the payment of benefits. Accordingly, no benefits were paid until January 1, 1880, when earlier claims also were met. In 1882 it was provided that a benefit of $100 should also be

[3] Proceedings, 1874, p. 76.
[4] Ibid., 1878, p. 43.

paid to members suffering total disability, by which was meant total blindness, the loss of a leg, or an arm, or both. In order to take care of the increasing expenditures required under the larger benefit and by an increasing death rate, the apportionment for benevolent purposes was increased to thirty-five per cent of the monthly taxes, or eight and three quarters cents per month per member. At several following conventions the apportionment was raised or lowered, according to the deficits or surpluses exhibited by the fund at the end of each term. At the 1895 convention the benefit fund was awarded as subsidiary revenue two dollars from each initiation fee. A rapid increase in the number of new members caused an extraordinary yield from this source, and enabled the union to reward faithful members by increasing the benefits to those who had enjoyed continuous good standing for five years or more. Consequently, in 1899 it was adopted that graded benefits should be paid on the following scale:

Length of Membership	Benefit
1 to 5 years	$100
5 to 10 years	150
10 to 15 years	175
15 years or more	200

Since 1907 when the union abolished the system of separate funds, the death and disability benefits have not had special receipts set aside for their payment, but have been paid from the amount allotted to the general office from members' monthly dues. Members who have received disability benefits are ineligible for death benefits and since 1895 they have been granted honorary cards. In 1890 paralysis was added to the afflictions held to constitute permanent disability. To be entitled to benefits members, at present, must not owe more than thirteen weeks' dues and taxes at the time of death or disability.

At the 1917 convention special provision was made for the payment of death and disability benefits to union members in the military and transport service of the United

States and Canada. Since the protection of these members was likely to constitute a heavy financial drain on the treasury, a general levy of one dollar per member was made for the purpose of creating a special benefit fund. Subsequent assessments for the same amount were also authorized. During their period of service such members were voted exemption from payment of dues and assessments. A retroactive character was given the measure by making it applicable to all members killed or disabled in the service since August, 1914.[5]

The following table shows the expenditure for death and disability benefits since 1880. The aggregate amount paid has been exceeded in only two other unions, the Carpenters and the Cigar Makers.[6]

Term	Death Benefits	Disability Benefits	Total
1880–1882	$ 12,000.00		$ 12,000.00
1882–1886	31,553.52	$ 700.00	32,253.52
1886–1888	16,050.50	300.00	16,350.50
1888–1890	20,564.00	1,400.00	21,964.00
1890–1895	56,172.90	2,400.00	58,572.90
1895–1899	36,899.00	3,600.00	40,499.00
1899–1902	70,231.38	5,400.00	75,631.38
1902–1907	259,554.86	19,600.00	279,154.86
1907–1912	274,891.09	41,825.00	316,716.09
1912–1917	334,201.42	61,175.00	405,376.42
1880–1917	1,122,118.67	136,400.00	1,258,518.67

In 1910 and 1912 the union attempted to inaugurate an insurance system along lines similar to those prevailing in the railroad brotherhoods and in regular insurance companies. Efforts were made to secure applications for

[5] Proceedings, 1917, pp. 214–215.

[6] As soon as the international system of death benefits was well established, the local unions practically abandoned their own benefit features. In 1882 it was recommended that they resume the practice of paying some sort of benefits. Accordingly, several strong unions organized voluntary associations for paying death benefits financed by small fixed assessments levied on the occasion of the death of any member. Perhaps ten local unions have "endowment funds," as they are called, at the present time.

policies in the "Molders' Life Insurance Association" from members in Ohio where it was decided to launch the venture. Even though low premiums were established, it proved impossible to secure enough applications to perfect the organizations in conformity with the laws of the State of Ohio and it became necessary to give up the project.

Sick Benefits for Active Members.—Many early local unions paid some form of sick benefit or at least took up collections for sick members who were needy. Suggestions for a general sick-benefit feature began to appear about 1865 and by 1880 discussion of the question had become general, largely as a result of the fact that the establishment of sick funds by local unions had become quite common. While the local benefits proved of considerable service, complaints were made, as in the case of local death and disability benefits, that members of unions which levied beneficial assessments lost their rights to relief when they transferred to other unions. It was urged that it would be best for all concerned to set up a general sick-benefit system in order that all members might profit alike. It was further argued that payment of a sick benefit would enable the international union not only to obtain members but also to hold them.

For a time an effort was made to coordinate the sick-benefit systems of local unions. In 1882 local unions were urged "to adopt a sick-benefit fund, and in cases where a visiting member or members are taken sick to make such provisions in their by-laws as to pay the amounts to which they are entitled, and exchange orders or checks for the same, provided said members are in good standing."[7] Nothing was done, apparently, to carry out this utterly impracticable plan. Soon afterward all local unions were urged to adopt uniform systems of benefits so that hardship need no longer be suffered by travelling members. It was pointed out, however, that many local unions had so few members that they could not afford to pay any benefits whatever, especially when part of the men were idle.

[7] Constitution, 1882, p. 36.

Constant agitation in favor of international sick benefits finally led to favorable action in 1895. Provision was made for the payment of five dollars per week after January 1, 1896, to sick and disabled members, unable to work, after the first week's sickness or disability, provided such incapacity had not been caused by immoral conduct. Benefits were allowed for thirteen weeks in any one year, whether continuous or not, to anyone who had been a contributing member for not less than six consecutive months and who did not owe more than twelve weeks' dues. In order to prevent delays and tedious formalities in administration, payments were to be made directly by the local unions from sick funds derived from setting aside eight cents per week out of each member's dues. An international officer, known as the financier, was created whose duties in part were to be concerned with the administration of the sick-benefit feature. He was instructed to keep account of the sick-benefit tax collected by each local union and the benefits paid individual members. He was also ordered to compute annually the average per capita sick benefits paid and, with the consent of the general president, he might arrange an equalization of the sick funds in the treasuries of the local unions by taking a surplus from one local union and depositing it in another where an unusual amount of sickness had occurred.[8]

In order to expedite transfers of funds, the executive board in June, 1896, created a central reserve, or a "sick-benefit relief fund," at headquarters to be maintained by orders drawn upon the local unions having surpluses. With such a fund on hand it proved an easy matter to relieve embarrassed local unions promptly and to pay benefits as soon as they were due.[9] The apportionment of eight cents per week per member for maintenance of the sick-benefit fund soon proved to be excessive. After 1897 one cent per week per member was set aside to afford remission of dues to unemployed members and sick benefits were paid out of seven cents per week. In 1917 sick ben-

[8] Ibid., 1895, art. 17.
[9] Iron Molders' Journal, July, 1896, p. 279.

efits and out-of-work benefits together were allotted eleven cents per week per member, and no specified amount was given either feature. In 1902 the benefit was increased to $5.25 per week and in 1907 it was raised to $5.40. Under both rates, with the deduction for dues, there was left a net receipt of $5 in place of $4.75, the net amount from 1895 to 1902. In 1917 the convention adopted a benefit of $7 per week, plus the amount paid in for dues, or $7.60 in all.

Since 1902 members who have received the full sick benefit for three successive years have been compelled to draw their disability benefits and to assume honorary standing.[10] This rule was adopted to prevent members inflicted with incurable diseases from becoming a drain upon the sick funds, which were intended for temporary relief only. Since the same date a member leaving the jurisdiction of the union has been excluded from sick benefits unless absent for the benefit of his health with the consent of his local union. This rule became important when many molders enlisted for service during the World War. Another change made in 1902 allowed payment of benefits to members who did not owe over thirteen weeks' dues.

The following table shows what the Molders have expended for sick benefits. The total amount paid out has been exceeded by only one other American trade union, the Cigar Makers.

1896	$ 38,511.00	1907	$ 190,117.10
1897	36,720.00	1908	159,916.20
1898	37,710.00	1909	120,258.65
1899	57,465.00	1910	146,110.40
1900	102,936.00	1911	154,391.40
1901	118,515.00	1912	154,497.40
1902	134,116.00	1913	172,792.20
1903	178,355.00	1914	169,943.20
1904	198,214.25	1915	138,819.40
1905	173,946.25	1916	164,611.60
1906	176,799.00	1917	184,789.50
		Total	$3,010,593.55

[10] During the term 1902–1907 disability benefits were drawn in 89 cases where sick benefits had been paid for three years. In 1907 the rule was adopted that total disability benefits were not to be paid in such cases until one year after payment of the last sick benefit.

Benefits for Honorary Members.—Honorary members were allowed to join the Beneficial Association in 1870 on the same terms as active members. They were also allowed equal privileges with active members upon the establishment of the superannuation benefit in 1874 and upon the adoption of the death benefit in 1878. In 1895, when the sick-benefit feature was established, honorary members who desired to retain their standing for all benefits were required to pay a weekly tax of fifteen cents, ten cents of which went to the local sick funds, and five cents to the general treasury for death and disability payments. If they wished to be entitled merely to death and disability relief, they were to contribute twenty-five cents per month to the international treasury.[11]

In 1912 the financier reported that the sums paid as sick benefits to honorary members had exceeded dues received from them on sick-benefit account. For the term 1902–1907 the excess had been $8,643.25; for the term 1907–1912, $19,979.65. During the 1907–1912 term, receipts from death and disability payments had been only $1,700 while the expenditures for benefits had been $5,075. Measures were at once taken by the convention. All honorary members who desired to be in good standing for benefits were put into one group instead of two, as formerly, and all were required to subscribe for both kinds of benefits. Twenty cents per week in dues was assessed, fifteen cents of which was to be retained for sick-benefit funds in local unions while five cents was to be remitted to headquarters for payment of death and disability benefits.[12]

In 1902 it was ordered that no honorary member should be eligible for benefits who had not been a member in continuous active standing for a period of at least five years previous to his application for beneficial participation. In 1907 the period was raised to ten years, and in 1917 to fifteen years. In this way the union has made it impossible for a molder after a short active membership to

[11] Constitution, 1895, art. 17, sec. 8.
[12] Proceedings, 1912, pp. 100, 197.

secure for the rest of his life cheap insurance at the expense of working molders.

Out-of-Work Benefits.—Molders, like printers, have always been noted for their roving habits. Until about 1890 travelling members were the object of special solicitude on the part of the general and local unions. Privileges were granted them which were denied to residents, because travelling members were usually thought of as unemployed mechanics in search of jobs. One practice which was adopted by the local unions at an early date was that of loaning money to travelling members. In 1860 the international union took cognizance of the situation and provided that in case it became necessary for one union to grant money for the relief of a travelling member of any other union, the amount so granted should be endorsed upon the back of the beneficiary's card. It then became the duty of the union receiving the card for deposit to collect the sum endorsed upon it and to forward the amount to the local union which had furnished the relief. In 1863 it was further provided that in case the union receiving the card deemed it impossible for the member to pay all that he had been loaned, the balance due might be endorsed upon a new card.[13]

By 1866 many local unions began to complain that they were unable to make collections on a large part of the loans which they had made to travelling members. In many instances all trace of the borrowers was lost. Again, unions which received endorsed cards rarely made any effort to collect the loans. Even when they were collected the sums so received were not always forwarded to the creditor unions. In some unions warning was given that no more loans would be allowed. In others it was questioned whether, after all, travelling members deserved help, since many of them had given evidence of being arrogant "bummers" instead of honest mechanics. Doubts as to the desirability of assisting the "hobo" gradually increased

[13] Constitution, 1860, By-Laws, art. 5, sec. 3; art. 10, sec. 6.

to such a degree that during the early nineties many local unions announced that they would no longer be "bull-dozed" by travelling "loafers" who desired "meal tickets." Since that time the local unions have generally refrained from assisting travelling members from funds primarily intended for other purposes.

Irregular relief granted to travelling members was an inadequate and unsystematic way of caring for the unemployed. The first step toward a better arrangement was taken in 1878 when it was decided that members out of employment for at least three months from causes over which they had no control should be relieved from the payment of the monthly dues during the three months or until they could secure employment. After 1882 this rule was superseded by another provision to the effect that an unemployed member should not be suspended as the rules formerly required, if he owed five dollars or more on the first meeting nights of June or October each year.

During 1896 there was much discussion of the possibilities of out-of-work relief. It was argued that such a measure would prevent scabbing, suspension from membership, and general disintegration of the union during dull times. Memories of the panic of 1893 were still vivid in the minds of many unionists. It had become especially necessary to have relief for the unemployed, it was pointed out, because union dues had been greatly increased in 1895. It was urged that this very increase would afford revenue for the payment of out-of-work benefits and that if still higher dues proved necessary, the holding power of the new benefit would more than compensate financially for the increased tax burden, as had been the case in the Cigar Makers. Few members opposed the idea of establishing some sort of out-of-work relief. Many of the leaders of the organization, however, counseled moderation. Upon the suggestion of the executive board several local unions tried out the possibilities of unemployment relief by providing for the remission of dues to all members for periods

varying from eight weeks to six months. These local unions met with fair success in their respective schemes, even though their limited membership offered scanty actuarial material.

In April, 1897, the executive board approved a proposed amendment to the union's constitution which authorized the creation of out-of-work relief. By referendum vote the amendment was adopted and the plan outlined went into active operation October 1, 1897. The new system provided that any member who was unable to secure work, provided his inability were not due to drunkenness or other misconduct, should become entitled "to relief from payment of dues for a period of not more than thirteen weeks in any one year, whether such idleness be continuous or otherwise," the year beginning from the first date on which relief was given. Members of the organization who were not "actually following the trade as a means of earning a livelihood," or who were "temporarily or continuously employed at some other occupation," were excluded. To be entitled to relief from dues it was provided that a molder should have enjoyed good standing for at least six minths and should not owe more than four weeks' dues. For every week of idleness after the first two weeks, up to the limit of thirteen weeks, the local financial secretary was to affix an out-of-work stamp in the member's receipt book and the member was to pay no dues. The financial secretary was further required to keep records of all members receiving relief and of all out-of-work stamps received and used, to report monthly to the financier the number of stamps used and, at each meeting of the local union, to read the names of those obtaining stamps and the number of stamps credited to each. The original issue of stamps was to be taken care of by the international secretary who was allowed to use his discretion as to the number of stamps to be sent a local union upon receipt of its order.

The financial operations involved in the unemployment relief caused the creation of another fund, the out-of-work

relief fund. To start the project twenty-five per cent of the surplus in the sick fund in May 1897 was called in, and deposited with the international secretary. Regular receipts thereafter were obtained by the quarterly dispatch of twelve and one half per cent of the sick fund collected by local unions, that is, one cent per member per week, to the international secretary upon order from the financier. When stamps are sent out to local unions the international secretary draws from the out-of-work fund a sum equivalent to the value of the stamps. The sum so drawn is apportioned between the monthly fund and the sick-benefit relief fund.[14] In effect, then, the international union draws on a reserve fund for the benefit of its active funds every time an out-of-work stamp is issued. The local unions simply credit beneficiaries with having paid their dues and are credited in turn by the international union as having collected such dues.

Comparatively few changes in the original system have been made. Members are now eligible to relief who do not owe dues for more than thirteen weeks. Benefits are paid after one week's idleness. These changes have liberalized the system of relief. It has also been decided that a member in receipt of strike or sick benefit is not entitled to the out-of-work benefit. Any member, however, who has drawn thirteen weeks' continuous sick benefits may, if he continues ill, draw out-of-work assistance for his permitted term, provided he was eligible to receive out-of-work stamps previous to obtaining sick benefits. Although the weekly dues are now sixty cents, it is still the practice to transfer only eighteen cents from the out-of-work relief fund to the monthly fund and the sick-benefit relief fund upon the issuance of an out-of-work stamp. Consequently the active funds suffer some loss since the International now receives forty-seven cents on each weekly payment of dues.

For some months after the outbreak of the World War

[14] Iron Molders' Journal, June, 1897, p. 281.

conditions in the foundry business in this country were extremely unsettled. Extensive unemployment resulted. Before long hundreds of union molders and coremakers had received all the out-of-work relief to which they were entitled. The situation became so serious that the executive board in February, 1915, appropriated $25,000 to be used in issuing "donation stamps" to members who were still unemployed after having received their thirteen weeks out-of-work benefit. By March 31, 1916, conditions had so improved as to make this modification in the plan no longer necessary. Altogether there were placed in members' books 20,762 donation stamps representing a value of $8,304.80 at forty cents each.[15] At the 1917 convention the executive board was specifically empowered to extend out-of-work benefits as long as might appear necessary during periods of extraordinary industrial depression.

The following table shows the number of out-of-work stamps issued annually down to 1917 and their value:

Year	Stamps	Value[16]
1897 (3 months)	2,960	$ 740.00
1898	11,840	2,960.00
1899	6,060	1,515.00
1900	32,175	8,043.75
1901	27,125	6,781.25
1902	10,300	2,575.00
1903	37,200	9,300.00
1904	94,470	23,617.50
1905	27,100	6,775.00
1906	19,190	4,797.50
1907	53,813	13,453.25
1908	195,523	79,209.20
1909	44,252	17,710.80
1910	29,530	11,812.00
1911	63,240	25,296.00
1912	38,472	15,388.80
1913	57,215	22,886.00
1914	143,337	57,334.80
1915	80,075	32,030.00
1916	16,225	6,491.00
1917	18,670	7,468.00
Total	1,008,772	$356,184.85

[15] Proceedings, 1912, p. 148. It is interesting to observe that the 1912 convention endorsed the principle of dividing work during dull times as a means of combatting temporary unemployment.

[16] Valued at 25 cents from 1897 to 1907; at 40 cents from 1907 to 1917.

Superannuation Benefits and a Molders' Home.—The only plan for a superannuation benefit that the Molders have ever adopted has already been described. Since 1890 there have been many proposals for the reestablishment of the feature. In 1897 it was advocated that the union should establish a "home for the aged and infirm" which, it was believed, would prove a "blessing" to the organization and a "means of bringing thousands of members into the fold."[17] The home established by the Printers undoubtedly provoked this discussion. Officials of the union advised that the cost of up-keep for a home for aged and infirm members would be considerable, that only a few members could be cared for, and that the management would probably prove a source of contention. A superannuation benefit payable to every member was suggested as more advisable, but the expense attached to such a benefit was held to make it undesirable for the time being. Accordingly, at the 1899 convention various proposals for the home or for the benefit were defeated. At the 1917 convention eight different resolutions providing for some form of old age pension were introduced. After receiving a report from Financier Metcalf that so far few international unions had adopted such a plan and that the payment of benefits amounting to five dollars per week would necessitate additional dues of at least twelve cents a week, the convention decided to refer the question to a popular vote.[18] When the referendum was taken a majority was found opposed to the establishment of the benefit probably because it involved so large an increase in dues.

[17] Iron Molders' Journal, January, 1897, p. 24.

[18] Proceedings, 1917, pp. 224–226. The convention endorsed the payment of old-age pensions through governmental agencies.

CHAPTER VIII

The Control of Strikes

General Strike Control.—As a general rule, local unions in any trade use less judgment about going on strike than do the larger units of organization. Local bodies see only a part of the industrial and commercial situation. Blinded by provincial prejudices and deluded by false ideas of their strength, local unions, if unchecked, are likely to enter into strikes, fight stubbornly for a time, and then succumb. As an outcome, unionism in certain districts is killed. Independent local action lacks effectiveness in equalizing wages and conditions of employment in competitive districts and in countering the policies of hostile employers' associations, organized nationally. Centralized control over strikes, therefore, has become a necessity for efficient labor organization.

Little can be learned of strike control in the early local unions, except in those of Philadelphia and Buffalo. Both unions provided that "no body of hands shall quit work without the sanction of the general executive committee of the union." Members on a strike "legally ordered" were entitled to a benefit, married men obtaining a larger amount than unmarried. The executive committee was also authorized to defray the travelling expenses of striking members who wished to leave the city in search of work, provided they agreed "not to apply for any further assistance from the union during the strike."[1]

When the international union was formed in 1859, strike control was in theory one of its functions, but several years passed before effective direction over strikes was attempted.

[1] Journeymen Stove and Hollow-ware Moulders' Union of Philadelphia, Constitution and By-Laws, 1855, art. 6, secs. 2–4; Journeymen Iron Molders' Union of Buffalo, Constitution, 1859.

The first convention refused international recognition to any strike unless it was sanctioned by the executive committee of the general union, consisting of the president and vice-presidents. When a strike was recognized, the committee was to "*advise* the various local unions of the fact and recommend to local unions what assistance to render."[2] While the convention was in session a critical strike was in progress at Albany. Without waiting for the newly-formed committee to act, the union resolved "to raise funds for our co-workers" by solicitation from all the local unions. The convention's appeal was answered with promptness and the strike was financed to victory. The general union thus gained great prestige among the hitherto disunited local unions. For the first year of national organization the Molders collected over $5,000 from local branches for strike purposes.

So frequently and costly were strikes in its early history that in some instances the International Union, "embarrassed by difficulties on all sides," was unable to lend aid. In an endeavor to lessen the burden, the 1861 convention called upon local unions "to discountenance all strikes in their respective localities until every other remedy has been tried and has failed."[3] When conciliation bore no results, a local union requiring the assistance of the international "to vindicate its rights and privileges" was ordered to approach the general body for permission to strike. Every subordinate organization having a grievance against an employer was instructed to send to the international president "an official document," passed by a union meeting, signed by the local president and recording secretary, and attested by seal, setting forth the nature of the grievance, the proposed remedy, the number of members involved, and the weekly amount necessary to support a strike. A printed circular of this statement was to be directed by headquarters to the vice-presidents (then the local corresponding secretaries) for

[2] Proceedings, 1859, p. 12.
[3] Ibid., 1861, p. 39.

their votes. In returning their ballots the vice-presidents were to report the number of members in their respective unions who were employed and the average local wage. If a majority of the votes favored the grievance, the general president was to levy upon all members not engaged in the strike a per capita assessment not to exceed two per cent of the weekly wages, payable to the international treasurer.[4] As soon as the treasurer received an order from the president to pay the benefits which the latter found to be necessary, he was to forward the funds at once to the striking union or unions.

The big Philadelphia strike of 1863 at once tested the new system. To finance this dispute the union raised $12,642.38. Even this amount was not enough to bring success. The failure of this strike tended for a time to destroy confidence in the International Union and to some extent weakened respect for a central control of strikes. Unauthorized strikes began to increase in number. No penalty was attached to such strikes save the loss of benefits paid through headquarters, but this meant little since local unions often found it possible to finance themselves or to obtain funds from sympathetic sister organizations. Neither was there a penalty imposed upon failure to pay strike assessments. In one case President Sylvis refused to send a deputy to handle an unauthorized strike and protected from expulsion a few members of the local union who remained at work. Beyond certain powers of negation, however, he had no authority.

Another abuse which Sylvis fought was the payment of strike benefits to local unions while in arrears on their international tax. The president urged repeatedly that authority to strike be withheld until such indebtedness was cancelled. In 1867 the convention followed this recommendation by requiring that petitioning unions have on hand, subject to order, the amount due the international. Other important changes were also made at the same time in the

[4] Constitution, 1861, art. 7.

strike rules. Petitions for authority to strike, first, had to be adopted by a two thirds vote of a local union and, then, had to be sanctioned by a majority of the other local unions acting through their corresponding representatives. Finally there had to be another two thirds vote in the union to order the men out, this vote to be taken within five days after the receipt of notice from headquarters that a petition had been approved. Provision was also made for paying strike benefits of specified amounts, $5 per week to unmarried members, and $7 to married members and single members with dependents.[5]

As difficulty was encountered in getting corresponding representatives to vote on strike circulars, it was resolved in 1868 that those not voting should be counted in the negative. Representatives casting favorable ballots were also recorded as voting for a special tax, not to exceed five per cent of members' wages, imposed upon all local unions to pay strike benefits. As no announcement of the vote on any circular could be made until approximately two weeks after a petition was filed and since strike benefits did not arrive until about two weeks later, owing to the treasurer's not being located at headquarters, there were very few "legal strikes." The international union was sometimes so poor that it paid benefits in scrip in place of cash, and local unions on strike were compelled to borrow money from sister organizations.[6] Deficits in strike pay were usually made up by subsequent conventions which allowed "back claims" to the local unions interested. In view of all these conditions, local unions were disposed to go ahead on their own responsibility. The legitimacy of this procedure was

[5] Ibid., 1867, art. 7, sec. 2.

[6] In 1864, $19,260 was collected and paid out for strike purposes, while the entire returns from the regular per capita tax, levied for general expenses, was but $4,689.37. Thus the strike expense amounted to over $3 per annum on each of the 6,000 members. The Albany 1866 lockout cost $3 per capita. For all disputes for the six years ending January 1, 1866, President Sylvis computed the expense to all branches of the Union as $1,161,582.26, or $24 per annum per capita. There is reason to believe this figure too high.

partially recognized by the 1870 convention which ordered benefits paid to two unions which had gone out on unauthorized strikes.

Radical changes in the strike rules were made in 1870. It was provided that strikes should be considered sanctioned if there was not a "negative vote of two thirds" on circulars. Failure to vote meant an affirmative ballot. Each circular was to contain two proposals: (1) that the local union applying for authorization receive financial aid, (2) that it receive moral aid. If the second proposition only was endorsed, the local union was to receive no benefits but the work in dispute could be struck. Finally, in sending out a strike circular the international president was to inform each union of the exact weekly amount required from it to sustain the walkout. If a vote favorable to financial aid was returned, local unions were left to collect their apportionments in any way they saw fit, provided only that weekly remittances were made to the general treasurer.[7] Under these rules there proved to be no difficulty in obtaining strike authorization. Almost every grievance, "just and unjust, in season and out of season," was sanctioned, largely because the corresponding representatives would not vote on strike circulars and thus were counted in the affirmative. A few unauthorized walkouts continued to occur, chiefly because local unions did not wish to wait from two to four weeks before sanction and benefits could be obtained.[8]

In 1874 President Saffin proposed (1) that each union, acting through its corresponding representatives, be granted as many votes on strike circulars as it was entitled to in convention, (2) that the president be allowed to use facts in his possession in asking local unions to vote "yes" or "no" on circulars, and (3) that, together with the vice-presidents,

[7] Proceedings, 1870, pp. 74, 75.

[8] Owing to the slow process of levying, collecting and forwarding strike benefits, President Saffin anticipated the situation on two occasions and levied assessments, amounting to $3,000, in advance. In neither case was his action approved by the convention (Ibid., 1872, p. 7; 1874, p. 11).

he be clothed with authority to refuse further financial aid to strikes hopelessly lost. All of these suggestions were adopted to the great improvement of the strike rules.[9] It was also provided that two thirds of all the local unions must vote in the affirmative in order to authorize a strike. To secure a full expression of opinion a fine of ten dollars was placed upon all local unions whose representatives failed to respond promptly to a strike circular. The 1874 convention also sustained a number of decisions relative to strike control made by President Saffin the year previous. These held (1) that no member could strike a job, (2) that no shop committee could order a job or shop to be struck, (3) that members employed in a shop could not strike the shop, and (4) that no bill of grievances could be issued when the men involved had quit work.

In spite of these improvements President Fitzpatrick soon afterwards declared that the "strike laws" were about as "bad as they could be made." The method of voting on circulars was too slow and cumbersome, especially since several local unions had been organized on the Pacific coast. Local unions were, in his opinion, unlikely to exercise wise judgment in voting since their own interests rather than the justice of a cause was generally the first consideration with them. Strike assessments were also hard to collect as but few local unions levied regular taxes to meet them. In July, 1878, strike tax amounting to $2,694.70 was still due. Finally, repeated unsanctioned strikes occurred for which there was no fitting penalty. Newly formed unions especially erred in this respect. Loans and grants by various local unions to others engaged in unauthorized strikes were not infrequent.

A drastic reorganization of strike rules was made by the 1882 convention to obviate most of the difficulties just indicated. Local unions were instructed to lay their grievances before the president whose duty it became to visit the dis-

[9] Ibid., 1874, pp. 11, 86, 92. As early as 1867 Sylvis urged that the president be granted power to "open shops illegally closed."

turbed localities, in person or by deputy, and to examine into the facts with a view, first of all, of reaching amicable settlements. When peaceful solutions could not be obtained, disputes were to be laid before the executive board (then composed of the five vice-presidents) which, in conjunction with the president, was to "have absolute control of all strikes and lockouts." The board was to see "that no more strikes are on hand at any one time than the organization is able to handle" and it was ordered that "the whole prestige and force of the National Union, financially and otherwise," be concentrated "in the direction most needed." As a cure for unauthorized strikes, it was made "a sufficient cause for expulsion should any local union attempt to assume responsibility for striking without their grievance having the sanction of the executive board."[10] A "strike reserve fund" secured through a per capita tax of one dollar per year was also created for the support of strikers until the regular assessments could be collected. Praiseworthy as were these new provisions, they did not cure every ill. The "strike reserve tax" did not yield enough money to care for such strikes as were sanctioned and this fact was made an excuse for not obtaining sanction. Again, since the executive board was more reluctant than the local unions had been to give permission to strike, petitioners whose cases were dismissed frequently determined to carry on independent strikes after secretly issuing "begging circulars to local unions and other labor organizations for assistance." In many instances, as in previous years, the money obtained in this manner consisted of funds taken out of the monthly tax due the International. One great series of independent strikes involved practically every union from Pittsburgh to Quincy, Illinois. In no case, however, did the executive board deem it advisable to suspend an offending union.[11]

In 1890 Martin Fox was elected international president. Under his effective leadership the executive board deter-

[10] Ibid., 1882, pp. 76, 79.
[11] Ibid., 1886, p. 9.

mined upon a strict enforcement of the strike rules and decided never to sanction a strike unless there was a sum in the treasury sufficient to ensure prompt payment of strike benefits. From the day Fox went into office, benefits have been paid in every instance, a fact well calculated to create respect for the general union. The 1890 convention increased the per capita tax from twenty-five to forty cents per week, and, of this amount, twenty-three cents went to pay strike, death, and disability benefits, and the headquarters' expenses of the organization. At present, out of the sixty cent dues established in 1917, thirty-six cents is allotted these expenditures. While Fox insisted upon strict discipline within the organization, it was not until about 1900 that threats to withdraw charters for unauthorized strikes were actually carried out. Effective penalties imposed upon Chicago and San Francisco unions put a damper upon further local "rule or ruin" practices. In 1907 a new rule was adopted granting the president and executive board power to suspend members refusing to obey instructions to return to work when out on unauthorized strike. Unsanctioned strikes are now practically a thing of the past. The power of the International is too strong to be resisted by any local union. Insubordination has been cured because members know that any violation of strike rules is quite certain to be punished and that all authorized strikes will receive full financial support.[12]

In 1899 a flat strike benefit of $7 per week was authorized. In 1912 weekly dues of forty cents were ordered remitted in addition. In 1917 the benefits were increased to $9 per week, plus the regular dues of sixty cents. Since 1909, when the international treasurer took up his office at the Cincinnati headquarters, delays in forwarding strike pay have been abolished. In 1895 it was voted to pay benefits

[12] To aid the executive board in acting on over one hundred grievances in April, 1906, all the business agents were called in for consultation. Since that time business agents have frequently been summoned to advise the board.

only after the first week of a strike. The same rule obtains at present.

Where grievances have arisen in connection with any shop or shops, local committees and officers have always carried on the preliminary negotiations with employers. For many years after the formation of the international union practically all collective bargaining was conducted by the local unions. As the general body gained power and prestige, however, it began to receive calls for assistance in handling local questions. In 1879 the policy of sending out special organizers wes inaugurated. These agents have often been used to handle strikes and negotiate settlements for local unions. Business agents of conference boards have also served under the president's direction as investigators of grievances. Still more important than special organizers in the work of conciliation have been the staff officers of the International Union. When the vice-presidents were originally put on a salary basis, it was planned to use them chiefly as organizers, but gradually they became "more properly speaking the trained diplomatists of the organization, whose tact, knowledge and shrewdness" enabled them to act as skilled negotiators, preventers and managers of strikes and lockouts, advisors and educators of the local unions.[13] That the personal investigation of grievances has been of value is clearly shown by figures for the term of 1895–1899. In this period 392 grievances were investigated of which 306 were adjusted without strikes. Under the present rules the president or his deputy, that is, a vice-president, organizer, or business agent, "in conjunction with the local committee," is supposed "to proceed to the place of difficulty to investigate the cause of the trouble" within ten days after headquarters has been notified of a grievance.

Sympathetic Strikes.—At various times down to 1890 molders struck in sympathy with stove mounters, pattern makers, and machinists. The number of grievances sup-

[13] Iron Molders' Journal, May, 1899, p. 220.

ported was not large and none of the trades assisted asked for the adoption of a sympathetic strike policy. After 1890 the weaker metal trades began to appeal with some frequency for the help of the Molders during labor difficulties. As soon as this tendency became manifest the executive board insisted that the local unions proceed with caution before lending strike support to the appellants. While certain molders contended that their union should observe the old motto of the Knights of Labor, "An injury to one is the concern of all," the board expressed strong disapproval of inconsiderate sympathetic strikes and "warned locals that before entering upon a strike of this sort they must consult the best interests of their own trade and obtain the sanction of their recognized international officers."[14]

In 1894 the Federated Metal Trades was organized by the Machinists, the Boiler Makers, the Metal Polishers, the Blacksmiths, the Pattern Makers, and the Molders under the auspices of the American Federation of Labor. The by-laws of the organization placed "a salutary restriction upon the tendency of a local body to rush into an ill-advised conflict" by recognizing the right of each trade to enter upon or refrain from sympathetic strikes, as it might see fit.[15] After 1896 the federation was discontinued. During its brief career it accomplished little of note. The Molders apparently took but slight interest in its activities. Following the dissolution of the Federated Metal Trades the policy of the Molders, so far as sympathetic action was concerned, became somewhat more conservative. In April, 1897, the executive board issued a statement of which all local unions were enjoined to take strict account. The board declared that while it would endeavor to render all possible service and assistance to sister bodies, if aid were to be granted, it was to be only on condition that before an allied trade undertook to strike it should lay the whole grievance

[14] Ibid., July, 1896, p. 277.
[15] Ibid., January, 1897, p. 15.

before the Molders for their investigation. After due consideration the president and board would then decide whether or not the local union or unions would be justified in participating in a strike with the petitioning trade if the dispute could be settled in no other way. In brief, sympathetic strikes were to follow the same course as other strikes, with the addition of advance notice from the trade whose grievance was the primary thing at stake. The position taken by the executive board was affirmed by the convention of 1899 and the same rules still hold.

In 1900 the Machinists and the National Metal Trades Association entered into a desperate struggle over the nominal issue of the shorter work day behind which lay the real issue of the closed shop. The severity of this conflict, together with the rapid development of comprehensive employers' associations in all departments of industry, set trade unionists in the metal trades once more to thinking about the possibilities of a federation as a means of defense. As a result the unions quickly formed a temporary organization[16] and finally in 1903 a constitution and by-laws were adopted for what was called the Metal Trades Federation. Since the contemplated federation appeared unlikely to be successful as several of the unions were weak and inexperienced, the convention of 1902 voted to leave the question of affiliation to the incoming officers. The latter subsequently decided to keep free from the federated movement when they discovered that affiliated unions were required to call sympathetic strikes if a two thirds vote of the general unions, acting through their executive boards, resulted in favor of supporting the grievance of one of the allied trades.[17]

The Federation, like its predecessor, lived only a year or

[16] The organizing trades were the Machinists, the Pattern Makers, the Metal Polishers, the Blacksmiths, the Boiler Makers, the Allied Metal Mechanics, the Core Makers, and the Electrical Workers.

[17] Other unions which later decided to remain independent were the Pattern Makers and the Boiler Makers.

two and produced many disappointments for its supporters. The movement for some form of alliance, however, continued. Accordingly a meeting was held at Cincinnati in 1906, attended by representatives of the Machinists, the Blacksmiths, the Pattern Makers, the Metal Polishers, the Boiler Makers, and the Molders. Taught by the lessons of the past, the officials opposed the idea of an offensive and defensive alliance. Now, even more than in previous years, "the stronger unions looked dubiously upon a proposition which invited entanglements on behalf of a weaker ally; the high-dues union looked askance at the low-dues ally." [18] The conference, therefore, came to the conclusion that wisdom dictated the formation of a Federated Metal Trades whose sole function should be that of organizing. When the plan came before the Molders' convention of 1907 nothing more definite was done than to endorse some "practical form of federation" as a means of combating hostile employers. But while the union did not see fit to sanction the work of the 1906 conference, it authorized the president and two other members, named by the convention, to call another conference of the allied trades, provided the idea was approved by a referendum. The general vote, when taken, proved favorable to the project. As a result of the call which the Molders' committee sent out, a convention was held which induced the American Federation of Labor to create a Metal Trades Department at its 1907 session. The functions of this body are to promote local metal trades councils, to adjust trade and jurisdictional disputes, and to assist in the organization of the local unions. Its rules provided originally that if a strike were inaugurated by one trade, other trades within the same local council should not join in the struggle without the consent of their respective international unions. Since membership in the Department was made compulsory for all metal trades unions belonging to the American Federation, the Molders affil-

[18] Proceedings, 1907, p. 18.

iated and their executive board urged all local unions to join the councils in their districts. In 1911 the board instructed the international officers to further the policy of making agreements with large corporations through the Department wherever practicable. The 1912 convention recommended that an effort be made to have agreements with employers terminate at the same time as agreements between the same employers and other organizations. It also provided that if the skilled melters and furnace men in brass foundries were willing to join in strikes with molders, the executive board should give consideration to their financial support.

Relations between the Molders and the Department were entirely harmonious until 1913 when the Department provided that general strikes by the metal trades could be called if approved by a two thirds vote of the allied unions in any local council. Any organization which refused to obey the strike order issued by the president and executive council of the Department was to be suspended. No union affiliated was to sign agreements governing shops where other affiliated unions were interested except upon approval of the Department's executive board. The Molders' entire delegation at the convention where this rule was adopted were in strong opposition to its enactment. They held that the Department thereby became superior in authority to the component unions, its creators, and that the autonomy of the latter was destroyed. Shortly afterward the executive board declared that the union would not follow the dictates of the Department and steps were taken to bring the question before the executive council of the American Federation of Labor. After hearing the case the council proved to be of the unanimous opinion that the Department's scheme was a violation of the constitution of the Federation which guaranteed autonomy to the affiliated unions. At the 1914 convention of the Federation the difficulty was composed. Membership in all the various departments of that

body was made purely voluntary. Moreover, no department was to "enact any law or adopt any policy which aims to force a minority of the affiliated organizations to do something to which they are opposed, or which is contrary to their methods of procedure as provided by their respective constitutions."[19] Recent relations between the Molders and the Department have been amicable. Local unions have joined metal trades councils and in some places sympathetic strikes have been entered into.

The question may now be asked, Why have the Molders always been so conservative about undertaking joint strike action with allied unions? It should be clearly understood that the Molders have never objected to sympathetic strikes as such and that they have never entered into agreements to refrain from sympathetic strikes. They have merely insisted that they should be governed by their own regulations rather than be subject to the desires of some other organization. After years of effort they have succeeded in establishing discipline and businesslike methods. A splendid financial system has been developed. National and local trade agreements have been negotiated and observed. On the other hand, some of the other metal trades unions are of recent origin, have insufficient discipline, possess small financial resources,[20] think little of business methods, and are numerically weak. If the Molders were compelled to go out on sympathetic strike every time an allied trade called for help, they would soon waste their strength. The weaker unions could offer the Molders very little assistance.

Ostracism and Lockouts.—Since 1876 it has been provided that if a member is thrown out of employment for acting as a committeeman, for following out the instructions of his union, for asking such prices as may be deemed proper, "or for any differences arising therefrom between

[19] International Molders' Journal, December, 1914, pp. 988–990.

[20] On two occasions when joint action of all the metal trades unions took place, it was found shortly after the strikes occurred that a majority of the unions involved were unable to pay strike benefits to their members (Ibid., December, 1913, p. 1034).

employer and member, or if a member is ostracized for union principles," a local committee shall be appointed to inquire into the case. If it is discovered that an unwarranted discharge has taken place, the international president orders weekly strike allowance paid the member until he procures employment, or until such time as the executive board deems it advisable to stop the allowance. Members working in open or non-union shops, where it is impossible to enforce union rules, have not been allowed to obtain ostracism benefits, if discharged for refusal to violate union principles, unless they have been specifically authorized by local unions to act in their behalf. Since 1912 ostracized members have been paid ten dollars per week, plus the amount of the weekly dues. Ostracism benefits have been placed higher than ordinary strike benefits in order to encourage the individual unionist to stand up for union principles even when quite alone and without the stimulus of joint action by all the men in his shop.

The Molders have found that it is not always easy to distinguish between a strike and a lockout, but it has been necessary to make a distinction on account of the difference in the application of benefits. In 1874 President Saffin ruled that a lockout took place in the case of "an employer demanding of members that they shall sign contracts, or that they shall work for store pay, or [who] shall force them to work 'bucks' [helpers] or quit, or demand that they shall quit the union or the shop."[21] This decision was upheld by the convention. In 1886 it was further provided that "in cases of lockouts when the employer proposes getting his work made in shops other than that owned by him, it shall be the duty of all members . . . to refuse to work on said jobs, in which case they shall be considered locked out or upon strike."[22] This rule, with some amplifications and alterations, has been continued down to date.

[21] International Journal, July, 1874, p. 4.
[22] Constitution, 1886, art. 8, sec. 7.

The endorsement of the executive board must be secured at present to make a lockout official.

In 1870 the union provided that lockout benefits should not be paid for the first week after official recognition had been accorded. Later on it was decided to pay benefits from the date of the lockout, and, still later, to pay them from the date when a shop started with non-union men. Finally, the executive board voted in 1909 to consider each case on its own merits. At present the ordinary strike funds of the union suffice to pay all lockout and ostracism benefits. Lockout benefits have always been of the same weekly amounts as strike benefits.

CHAPTER IX

National Collective Bargaining

The first strike by union molders began in Philadelphia on May 16, 1855, and involved all but one of the stove and hollow-ware shops in the city. The strike was settled when the firms met the men, who had formed what later became local union No. 1, and withdrew the demand for a reduction which had caused the difficulty. A second strike was called in Philadelphia in 1857 which proved unsuccessful. In 1858 strikes occurred in Providence, Port Chester and Albany to regain prices paid prior to the panic of 1857. The Albany employers combined in a "Founders' League" to fight the local strike and even went so far as to try to perfect a national association of foundrymen. They failed in the latter plan largely because the Philadelphia employers, who apparently had a strong association of their own with which they were well satisfied, refused to enter a general combination. During the next few years, the number of strikes increased to such an extent as to cause employers genuine alarm and to lead them to organize in many localities.

In 1861 it came to the knowledge of the union that "the foundry employers of Massachusetts have formed combinations, whereby the employees from one shop are prevented from going to work in another without the consent of their employer." In response to this movement the union declared that "we look on such combinations on the part of capital against labor as having a tendency to deprive workmen of that liberty to which they are, and of a right ought to be, entitled, and that we will discountenance and oppose such combinations by every means within our power."[1] It

[1] Proceedings, 1861, p. 31.

does not appear, however, that any disputes arose in connection with the combinations mentioned. In 1863 seventeen foundry firms in Louisville, New Albany and Jeffersonville formed the Iron Founders' and Machine Builders' Association of the Falls of the Ohio. The organization proposed to resist all restrictive local union demands and to cooperate with similar associations in other cities "in all the measures to be taken in our or their own defense."[2] St. Louis employers organized in 1860, again in 1862, and again in 1864, for the express purpose of "smashing the union," but they accomplished little or nothing.

In the spring of 1864 "several parties employing bench molders" in Connecticut met in New Haven to formulate a plan for escaping from the "dictation" of unionism, and organized the American Iron Founders' Association. At a second meeting held at New York and attended by foundrymen from New England, New York, New Jersey and Pennsylvania, it was the consensus of opinion that "the necessity of an organization of employers must be apparent to all who desire to manage their own business without being controlled by outside 'committees' or 'strikes,' and that such an organization would be beneficial both to them and to their employees." After some discussion it was decided to extend the scope of the association so as to include the employers of floor molders and future meetings were arranged for.[3] In the spring of 1865 the principal foundrymen of Detroit and vicinity determined to "break up the factious interference of the Trades' Unions." Jobs were classified and maximum wage rates were agreed upon. Molders going on strike at one plant were denied admission to any other shop in the combination. Through a circular

[2] Fincher's Trades' Review, October 3, 1863. Reprinted in Commons and Andrews, Documentary History of American Industrial Society, vol. ix, pp. 89–97. Men going on strike were to be blacklisted and their names were to be sent to similar associations.

[3] Fincher's Trades' Review, May 28, 1864. Reprinted in Commons and Andrews, vol. ix, pp. 97–99.

letter sent to foundries in other cities an effort was also made to blacklist strikers wherever they went.[4]

So general became the organization of employers that in 1865 President Sylvis called attention to the combinations then existing "for the express purpose of destroying our union." The only effect of the movement thus far, he said, had been to stimulate the organizing activities of the journeymen. Sylvis concluded by challenging the hostile forces to a trial of strength.[5] In the following year the gage of battle was accepted by the Iron Founders' Association which brought about what is known as the "great lockout." This struggle involved ten local unions whose membership were chiefly employed in the stove branch, and extended from Albany and Troy to Indianapolis and Richmond, Virginia. About 1,800 strikers figured in the dispute. The main points at issue were the employers' demands that journeymen work with helpers, that union shop committees be given up, and that foundrymen should determine the number of apprentices. The most important feature of the lockout was an attempt made by President Sylvis to promote an understanding between the organized employers and the union. During 1866 and 1867 the Association held two conventions, one at Albany and one at Cincinnati. Sylvis visited Albany at the time of the local meeting and in a letter asked the convention for a conference. He congratulated the employers "upon coming together for the purpose of organization" and suggested that a "mutual and beneficial understanding" be entered into for the purpose of harmonizing the interests of the foundrymen and their employees. No reply was made to this communication, but the employers' demands, mentioned above, were at once published, and the lockout began. "After an idleness varying from one to two months the employers' association was disrupted, the

[4] Fincher's Trades' Review, July 8, 1865. Reprinted in Commons and Andrews, vol. ix, pp. 99–102.

[5] Proceedings, 1865, p. 14.

notices were withdrawn, and the molders returned to work." [6]

In 1872 the National Stove Manufacturers' Association was organized. The Molders at once addressed a congratulatory resolution to this body commending its efforts to secure for its members "a just and equitable price for their wares, sufficient to fully compensate them for the capital invested, and the labor incident to making their business a success." Yet the Association was notified that the union would "resist by all lawful means any and every effort made to deprive the molders of their right to demand and receive a fair equivalent for their labor, or to abridge their right to fix a price for that labor." [7] No reply, apparently, was ever received. Ostensibly the National Association was organized to regulate the selling prices of stoves, to promote the introduction of new foundry methods, and to diffuse knowledge concerning the trade. Many molders, however, felt that "part of its mission was to antagonize trade associations," since its leaders, for the most part, ran non-union shops. By 1876 this view had gained rather general acceptance in union ranks and it was openly charged that there was "proof positive of some secret arrangement between bosses, arrived at while attending their convention," because, after each meeting of the Association, "war was declared against the molders in some section." [8]

At Troy and Albany the manufacturers in 1877 demanded that the journeymen accept wage reductions, renounce their union membership, sign individual contracts and employ helpers. A lockout resulted and although employers elsewhere declared that they were not in the combination, "it was painfully evident such was not the case, for as soon

[6] Frey and Commons, "Conciliation in the Stove Industry," Bulletin of the Bureau of Labor, January, 1906, p. 134. A unique feature of the lockout was the employment by Sylvis of "a small secret police force" to secure information of the employers' movement.

[7] Proceedings, 1872, p. 80. Partly because they feared employers' associations, in 1872 the Molders adopted a ritual and became temporarily a secret, oath-bound body.

[8] Iron Molders' Journal, May, 1876, p. 712.

as a shop was ready to start [that is, for spring trade], South, East, or West, the molders found the same odious demands made upon them" coupled with the notice that in the future there would be nothing but open shops. Other lockouts then occurred from which the union emerged "intact and unconquered."[9]

After 1880 the National Association displayed increased signs of hostility toward the union. In 1882 one of its members condemned the latter for "its one-sided, cast-iron rules" and labeled it a "hydra-headed power, which threatens the best interests of both employer and employee."[10] In 1884 a committee of the Association, reporting on the "subject of labor," accorded "all honor to those courageous men who have maintained or recovered control of their shops," thus setting a "brilliant example to those of us whose necks are still under the galling yoke of Trades Unionism—a servitude both disgraceful and unprofitable." In conclusion the committee asked that something be done to "rid us of this dreadful incubus."[11] After further complaints had been registered against unionism in 1885, the National Association decided in the following year to form a separate organization, known as the Stove Founders' National Defense Association, for the distinct purpose of dealing with labor questions.

Members of the National Association were not required to join the Defense Association but as a matter of fact the latter embraced practically all the larger firms in the stove and furnace industry.

The Stove Founders' National Defense Association.—The objects of the Defense Association were stated to be "resistance against any unjust demands" of workmen "and such other purposes as may from time to time prove or

[9] Ibid., December, 1877, pp. 546–547. In 1878 the union adopted a "visible sign . . . for the use of travelling members" as a measure of precaution against imposters or detectives used by hostile employers.

[10] Ibid., November, 1882, pp. 1–2.

[11] Ibid., February, 1884, p. 10.

appear to be necessary for the members thereof as employers of labor." Its members obligated themselves to oppose unfair demands "by the united action of all members." For administrative purposes the country was divided into four districts, namely, New England, the North Atlantic Seaboard, the Middle West and the South, and the Trans-Mississippi. The by-laws of the Association provided that district committees should hear and pass upon labor grievances, subject to appeal by members to the general executive committee. If the investigating committee decided a labor grievance in favor of a member and a strike resulted, the committee was empowered to choose one of three methods of defending the member, namely: (1) making in some other shop such work as he might require, (2) procuring men for him to do the work in his own shop, and (3) affording him compensation for loss in production. Members were subject to suspension by the president or to expulsion by a majority vote of the organization for "refusal or failure to comply with the requirements of the committees or officers or with the obligation of membership. . . ."[12] Strong central control thus existed. The Association was financed by regular assessments based upon the number of molders employed and by "emergency taxes." An officer known as the commissioner, later called the secretary, was secured to act as the active labor agent of the Association.

In March, 1887, the molders employed by the Bridge and Beach Manufacturing Company of St. Louis went on strike for increased piece rates. As the concern was a member of the Association, the latter promptly came to the Company's support. The struck patterns were sent to the shops of other members in the same district, whereupon the molders in these shops refused to handle the "scab" patterns and even declined to make other jobs while such patterns were in the shops. The patterns were then removed to other districts where, in turn, the same reception awaited

[12] Frey and Commons, pp. 143–144.

them. Before they reached the second district, the North Atlantic Seaboard, the Molders' executive board ordered members therein to work on the patterns and, at the same time, it asked for a conference with representatives of the Association. The request was granted, but no settlement could be reached. The employers then announced that their shops would close indefinitely "and what began as a series of strikes in the western districts ended as a lockout in the eastern districts." About 5,000 molders were thrown out of work in fifteen of the largest stove-foundry centers between St. Louis and Albany. The struggle continued until June when the patterns were recalled and Bridge and Beach had their work done at home by molders furnished by the Association. In other shops strikers returned to work under the old conditions.[13]

Both parties claimed the victory: the Association, because it had enabled Bridge and Beach to make their patterns; the union, because it had successfully withstood an evident attempt to destroy it. "Whatever may be said as to the claims of victory, it is certain that each party was strongly impressed with the stability of the opposing organization."[14] During the next four years there were only four strikes which were supported by the Association. One of these contests, at Pittsburgh in 1890, was settled by the officers of the Association making a written agreement with the local union. "The settlement was satisfactory to both sides, and made it quite plain that if an agreement could be made after a strike had been called and losses suffered, it would be possible to make just as satisfactory an agreement before the strike. How to bring about such an agreement was now a matter of frequent consultation between the leading members of both organizations."[15] In 1888 it was proposed in the Molders' convention that a committee be appointed to confer with a like committee from the De-

[13] Ibid., p. 144.
[14] Ibid., p. 145.
[15] Ibid., p. 146.

fense Association for the purpose of fixing a scale of prices. The resolution was defeated, but the idea involved in it lived on. Prospects for a conference were then discussed unofficially, and finally the union was assured that the Association would grant a request for a joint meeting of representatives. Accordingly, the 1890 convention instructed the executive board to ask for a conference and empowered it to appoint three stove-plate molders to assist in the deliberations.

On March 25, 1891, representatives of the two associations met in Chicago. Resolutions were drawn up to govern the dealings of the two bodies for the following year. Strikes and lockouts were condemned and "the principle of arbitration" was endorsed. It was resolved that whenever a dispute occurred between a member of the Association and the molders in his employ, when a majority of the latter were union members, which could not be settled amicably between the two parties, the case in question should be referred to the presidents of the two associations or to their deputies. If these representatives failed to effect a satisfactory settlement, the presidents, by mutual agreement, were authorized to summon a conference committee, composed of three members from each side, whose decision by a majority vote was to "be final and binding upon each party for the term of twelve months." Pending the investigation and adjudication of a grievance neither party was to take action. No vote was to be taken in conference except by a full committee or by an even number from each association.[16] When the plan adopted by the conference was submitted to the two organizations for vote, it was adopted by large majorities on both sides with the unwritten understanding that it would be renewed if found satisfactory. The union also altered its strike laws in conformity with the new arrangement. The first agreement in America be-

[16] Iron Molders' Journal, March, 1891, p. 4. Since 1910 each party has been entitled to six members on the committee.

tween a national trade union and a national employers' association was thus established.

While the 1891 resolutions provided for what was termed "arbitration," in reality the scheme worked out was one of conciliation. At first some of the molders favored calling in a third party to settle disputes, but the employers objected to this plan on several grounds. An odd man, it was pointed out, would probably have an inadequate knowledge of the stove business and both sides would be tempted to play upon his ignorance in order to win. Under simple conciliation it would be impossible for one party to deceive the other so as to get its representatives to vote against the best interests of the trade as a whole. Again, even if a competent third man could be found it was believed that it would be difficult to obtain his services. Arbitration, it was argued, was also likely to multiply issues and to foster demands which would be "extreme, unjust, and even ridiculous." Finally, the foundrymen felt that, apart from the merits of any question in dispute, the odd man would be inclined to favor the labor side.[17] Curiously enough, in 1910 the foundrymen themselves asked for the creation of an arbitrator. The union representatives felt satisfied with the existing system and refused to make a change.

With but two exceptions national conferences have been held annually since 1891. The "regular" conferences were held in March down to 1908, and in December after that date. Occasionally, special conferences have also been called. The agreement itself has never specified when conferences are to be held so that it has been necessary for one side to request the other for the privilege of meeting its representatives. At no time has such a request been denied. Agreements relative to wages have been made for one year only, subject to renewal, whereas agreements relating to other points have had no specified duration. At pres-

[17] Ibid., July, 1901, p. 400.

ent six men on a side sit in the conference. The Molders' conferees have always been chosen by the executive board, with the understanding that three members shall be selected from the "sand heap."

In 1892 the national conference began to legislate upon several questions concerning which a general agreement seemed desirable. Piece prices, hours, apprentices, helpers, and a dozen other matters have since been passed upon. No local grievance has ever been taken up for consideration or adjustment. Neither have "abstract questions of the rights or obligations of either side" ever been discussed. The conferences have always been devoted "to the discussion and adoption of resolutions—general in character and binding upon all members of the respective organizations."[18] Problems of the most serious interest to both sides have been thrashed out without disrupting friendly relations. A spirit of give and take has always characterized the conferences. Neither party has ever insisted upon the immediate granting of demands when the membership of the other has not been educated to see the justice of such demands. For example, the foundrymen patiently waited through conference after conference until the rank and file of the union finally saw the need of a higher apprentice ratio. Again, seven years passed before a satisfactory system had been devised for pricing work made on molding machines.

Both organizations have done their best to enforce the national agreements. With but one exception all disputes arising in shops operated by association members have been settled locally by conferences between the interested parties or between the two presidents or their deputies who, by the way, have usually been one of the union's vice-presidents and the secretary of the Association. In the one case noted, a foundryman who had a dispute with his employees over a reduction in piece prices had the grievance decided against him by the investigating deputies. He

[18] Frey and Commons, p. 154.

appealed to the "conference committee" for a rehearing and was again defeated. He then took the law in his own hands and placed the reduction in force. He was at once expelled from the Association and his molders were ordered on strike.[19] Several local unions have been suspended by the union for stopping work in association shops contrary to the rules of the conference agreements. No authorized strikes have taken place in shops covered by the agreements since the original compact of 1891 was formulated.

In 1898 the union asked that the national conference change the rule limiting the jurisdiction of the agreements to association shops where a majority of the Molders were union men, since action was thereby prevented on disputes in shops where a fair percentage of the journeymen were unionists. The request was favorably received, and a new rule was adopted under which a dispute involving any union member in any association shop might be adjusted under the conference agreements in the usual way. This arrangement soon induced many non-members to join the union so as to secure a hearing on any grievances that might arise. The national conference of 1900 was attended by practically all of those members of the Association who still ran non-union shops. At this meeting the union requested that its rules be considered binding upon these members as on other members of the Association. The union argued that it was incongruous for an employers' association which recognized a union to contain members who continued to resort to individual bargaining. While some non-union manufacturers hesitated to agree to having their shops unionized, it is interesting to note that shortly after this conference the Bridge and Beach Company asked to have its plant organized and requested an agreement with the union.

Until 1917 the conference agreements covered stove molders alone. The union attempted several times after 1903

[19] Ibid., p. 155. In 1917 the Fuller-Warren Company of Milwaukee withdrew from the Association to escape expulsion for refusing to carry out the conference agreements.

to secure recognition for coremakers, but its efforts were unsuccessful, as the foundrymen held that coremakers in stove shops were practically unskilled laborers. Local agreements alone contained rules governing coremakers' work. At the conference of December, 1917, the Association finally agreed to "recognize the coremaker as a molder" and to refer to him "as a molder working at coremaking."[20] Molders employed on hot water and steam heater work are not covered by the agreements.

The National Founders' Association.—In May, 1896, the American Foundrymen's Association was organized by several proprietors of machinery and jobbing foundries located within the United States. In its purpose the Association resembled very much the National Stove Manufacturers' Association. At first no efforts were made to formulate a labor policy. On January 26, 1898, the history of the stove branch was again paralleled when the machinery and jobbing manufacturers formed a separate organization to deal with labor matters under the name of the National Founders' Association. The members of the Association were organized into districts and the entire body was governed by an administrative council. In 1901 a commissioner was appointed to take charge of the details of the labor work. The program of the Association proposed the same means for handling labor troubles as those adopted by the stove founders in 1886. Members were permitted to deal with unions as they preferred, except that those who had been assisted by the Association to establish the open shop were required to continue on that basis for at least one year. From 1890 to 1904 about ninety per cent of the heavy machinery shops affiliated with the Association were unionized establishments, while about eighty per cent of the agricultural and malleable shops were non-union.

For some time the union feared that the new organization would be hostile to it, just as the Defense Association

[20] International Molders' Journal, January, 1918, p. 2.

had been originally. While he prepared for war, President Fox promptly opened communication with President Gates of the Founders, cited the results of the agreement with the Defense Association and proposed the adoption of a similar arrangement in the machinery and jobbing branch. In response to this advance the Founders at their annual meeting in February, 1899, appointed a committee to meet the union in conference. On March 8, 1899, seven foundrymen and six molders met in New York City and agreed to a set of resolutions. The "principle of arbitration" was endorsed, although a plan for conciliation was in reality adopted. It was provided that "in event of a dispute between the members of the respective organizations," a "reasonable effort" was to be made "by the parties directly at interest to effect a satisfactory adjustment of the difficulty." Failing in this, either party had the right to ask reference of the dispute to the "committee of arbitration," consisting of the presidents of the two associations, or their deputies, and two other representatives from each organization appointed by the respective presidents. A majority vote of this committee was to effect a final settlement. During the period of adjudication there was to be no cessation of work.[21] National conferences of the parties to the agreement were to be called upon the application of either side. At these meetings each group was awarded an equal voting representation. As in the agreement with the Defense Association, machinery was set up for the settlement of local disputes and the way was left open for the establishment of national rules. Both organizations ratified the proposed program, which thereafter became known as the "New York Agreement."

For a brief period the agreement seemed to operate successfully. Many foundrymen, who had been running open shops, consented to make local agreements in accord with

[21] Iron Molders' Journal, April, 1899, p. 157.

the general agreement.[22] The union met these advances by ordering back to work all molders going on strike in shops affiliated with the Association. While there were surface indications of harmony, it was not long before serious trouble between the two associations emerged. In June, 1899, a second conference was held at which the foundrymen suggested the appointment of a special committee to obtain data and "prepare a schedule of wages they would recommend to be adopted by the two associations, the same to be graded and arranged as in their judgment will best protect the interests of all parties." When the union objected that this proposal contemplated wage differentials which would tend to destroy standard rates by inviting "a general gravitation to the lowest level," the foundrymen refused to sanction a proposal for recognizing "the principle of a minimum wage," the application of which was to be so made as to give "due consideration . . . to the diversified nature of the work."[23] The dispute over differentials versus the minimum wage continued to come up in subsequent conferences. Out of it grew more and more hostility between the two parties, both of which stubbornly stood by their chosen programs.

In June, 1900, a third conference was held. The Association endeavored, through what were later called the "Detroit Resolutions," to obtain recognition of the employer's right to pay either day or piece rates and to employ whomsoever he pleased. Since these measures, if adopted, would have meant a lessening of union control over wages and the acknowledgment of the open shop, the union representatives refused to accept them. Naturally, this clash did not improve the relations between the two associations. Miss M. L. Stecker, who has made a detailed study of the question, concludes that the trouble at this time and at later

[22] F. W. Hilbert, "Trade Union Agreements in the Iron Molders' Union," in Hollander and Barnett, Studies in American Trade Unionism, pp. 233–234.

[23] Iron Molders' Journal, July, 1899, p. 349.

periods arose because the union would not "give up or modify any part of its fundamental law."[24] She fails to comment, however, upon the lack of bargaining sense displayed by the Association in making peremptory demands on the union. The foundrymen took an aggressive attitude at the very start and, from first to last, demanded much more than they could reasonably expect. Moreover, at no time in the negotiations did they express a willingness to recognize even one union rule of any importance. If the union was obstinate, the Association, as the younger organization, was guilty of aggressiveness in imperiously presenting its "requests."

It may be well at this point to explain some of the conditions which caused the friction between the Association and the union. The matter can best be explained by contrasting the conditions in the machinery trade with those which obtained in the stove trade. In the latter, the members were "engaged in the manufacture of the same kind of goods," they had "much in common in their business methods and requirements, and their relations with labor could more easily be governed by general rules." In the Founders' Association, on the other hand, the members were "engaged in the manufacture of everything from immense fly-wheels to tea kettles." So dissimilar were their lines of business that it was very difficult to "formulate a general plan satisfactory to all." Consequently their organization endeavored to obtain concessions that would allow the foundrymen full sway in their establishments for making labor adjustments to suit peculiar conditions. Again, the Defense Association was composed mainly of the larger stove foundries, while the Founders' Association embraced shops of all sizes and, besides, it contained some stove foundries whose owners were "unable, or unwilling, to enter the former Association." The small foundryman, like other small employers, was least disposed to concede anything to union demands. The larger interests, in part, at least, felt it advisable to meet labor

[24] Miss M. L. Stecker, "The National Founders' Association," in the Quarterly Journal of Economics, vol. xxx, 1916, p. 357.

halfway. Thus there were two diverse elements in the Founders' Association, "one desiring closer relations with the union, for the sake of peace and harmony, and the other desiring to use the immense power of the Association to check, circumvent, or crush the power of the union."[25] As time went on the influence of the smaller proprietors came to be felt more and more, so that the breach between the two organizations was continually widened.

In the fall of 1900 there came the first serious break in the relations of the parties to the Agreement. Demands had been made for increased wages in Chicago, Cincinnati, St. Louis, and Cleveland, and had been referred in the usual manner to the conference board, which was unable to agree. After all peaceful means provided had been exhausted in attempting to reach a settlement, the dispute was left to the decision of force. The two organizations came into conflict in Cleveland in the strike of six hundred molders, including all the local foundries belonging to the Founders' Association. After a bitter contest of six weeks, which cost the Association alone about $125,000, the dispute was referred to a special committee, and an agreement was reached whereby the molders secured an increase in pay and the discharge of the non-union men employed during the strike. The founders on their part secured a differential in the wage rate between bench and floor molders, and some concessions in regard to working conditions in the foundries. Three members of the Association in Cleveland refused to be bound by the agreement, and continued operations with their non-union molders. The president of the Association stated that the constitution of the organization did not give the power to compel these members to abide by the agreement. For a time the abrogation of the agreement was threatened, but the next general conference tried to patch things up by adopting

[25] Hilbert, p. 234. During the early years of the Association tremendous efforts were made to increase its membership. "No method of selection was used and bad risks frequently were taken." Some employers who were notorious for always having strikes were admitted (Stecker, p. 371).

a resolution reaffirming its adherence to the New York Agreement and expressing faith in the ability of the contracting parties ultimately to smooth out all points of difference between them.[26]

From time to time after 1900 complaint was made that members of the Association in various localities refused to meet union officers in conference and that other members disdained to recognize local wage scales or discharged union shop committees. An even more objectionable practice developed, however, when certain members of the Association inaugurated important changes in shop practices and methods without the consent of the molders and even in spite of their protests. The union demanded that all proposed changes affecting labor within a shop operated by a member of the Association, if unacceptable to the molders, should first be taken up in local conference before they were actually inaugurated. At an informal conference held in April, 1902, the Association's representatives promised to present the union's contention before their administrative council at its next meeting. When the next regular conference was held in the following October, however, the Association's representatives refused to discuss any interpretation of the New York Agreement and insisted that the two parties must first adopt general rules respecting molding machinery, apprentices, piece work, wage differentials, and other technical problems. They declared that they did not wish at the time to fix any of the details of settlement on the matters mentioned, but that they merely sought some understanding as to the "broad principles" involved in them. As the union felt that the foundrymen were aiming at the abolition of its trade regulations, it refused to favor the proposition.

One thing, however, was accomplished by this conference. A resolution was adopted declaring the necessity for a general form of agreement, national in character, for each class

[26] Hilbert, pp. 234–235.

of foundries, covering, as far as possible, all points of mutual interest, subject to such modifications in detail as might prove necessary to meet conditions in particular districts. At first efforts were to be confined exclusively to the formulation of a wage agreement covering the jobbing and machinery foundries in accordance with a classification which had already been made by the Association.[27] This plan for district agreements applicable to various classes of foundries might have been successful if an effort had ever been made to put it into operation. A national agreement for all foundries would doubtless have proved a failure owing to the diversified character of the business interests connected with the Founders' Association. Nothing was ever done, however, to carry out the proposed plan, although it was endorsed at the convention of the Association in November, 1902. But while the Association took this action, it also instructed its administrative council to make no more local agreements, and it again expressed itself as favorable to a national agreement, provided the Molders would consent to the following:

> Equitable conditions relating to apprentices, restriction of output, set day's work, limitation on a man's earning capacity, abolishing of fines imposed on molders for the purpose of limiting an individual molder's production, the right of an employer to employ molding machines or any other foundry appliances in accordance with his best judgment and to maintain equitable piece-work and premium systems, the abolition of a flat minimum wage rate and the establishment of a differential wage rate for molders.[28]

At a conference in March, 1903, the representatives of the Association offered a "standard agreement" of this character, together with a rule dealing with sympathetic strikes. In case the union accepted the specific propositions of the agreement, the Association offered to concede a shorter workday, which it had previously declared to be a matter for local adjustment only. The union, however, urged the continuance of the New York Agreement,

[27] Iron Molders' Journal, November, 1902, p. 942.
[28] Ibid., December, 1902, p. 1035.

amended to prohibit the change of established shop practices without the consent of the molders involved, and requested the establishment of a nine-hour day on its own merits, time-and-a-half for overtime and some kind of a basic wage. No agreement was reached as neither party was willing to recede from its position.[29]

In February, 1904, another general conference was held. At this meeting the spokesman for the Association declared that although the New York Agreement provided that there should be no cessation of work during the adjudication of a dispute, he had a record of forty-seven different occasions where union members had violated the rule. He admitted that in these cases the men had been ordered back to work by their international officers, yet he claimed the agreement had been broken notwithstanding this fact. In reply, the union representatives expressed their disapproval of outlaw strikes and then raised their customary complaint about unauthorized changes in shop practices. The latter matter was made the subject of a prolonged debate but no common ground of understanding could be reached in regard to it. The Association's offer of its national "standing agreement" was then taken up. The Molders' representatives were not willing to give up what they conceived to be a large part of their control over the trade, although they were perfectly willing to discuss plans for a shorter day and regulations dealing with the standard rate. Six days, in all, were consumed by the conference. During its course there were many charges of bad faith by both sides. It was evident that a feeling of hostility had developed. Following this conference the Association's administrative council instructed its members to make no further agreements with union molders unless the stipulations of the "standard agreement" were embodied therein. In no case did the unions consent to this plan and, accordingly, the shops controlled by the Association continued in operation without any agreements being signed.

[29] Ibid., May, 1903, pp. 347–348.

While the relations between the two associations were thus strained, another national conference was held at Cincinnati in September, 1904, with the interpretation of the New York Agreement once more as the main issue. It was felt that if this point could be adequately dealt with the parties might be able to get along somehow until the difficulties concerning trade regulations were worked out in further conferences. The meeting seemingly resulted favorably for the Molders, as the following interpretation was adopted:

> If any change, whether of wage rate, shop practice or conditions, or any other change affecting the relations or the interests of the members of the parties to the New York Agreement is proposed by one of the parties thereto to which objection or protest is raised by the other party, it is understood and agreed that the status then existing, that is, the status immediately preceding the proposed change, shall not be disturbed by either party pending reference and decision as provided in the New York Agreement.[30]

In spite of this apparent settlement of one of the most serious problems confronting the contracting parties, the Founders' Association at its convention in the following November abrogated the New York Agreement and announced its intention of putting into operation a policy based upon the "standard form of agreement." The first provision of the plan forbade limitation of output of any sort. Next it was declared that all matters relating to wage systems, types or classes of workmen employed, apprentices, helpers, handy-men, and machines were to be left to the employer's sole decision. No arbitration or conciliation proceedings were to be entered into with strikers nor were outsiders, such as officers of the International Union, to be admitted to any conference between members and their employees. Finally, wages were to be agreed upon mutually between members and their labor force, the terms to be in accord with local and shop conditions. If local unions of molders wished to accept these provisions, the Association interposed no objection to its members making agreements

[30] Ibid., November, 1904, p. 829.

with them. Otherwise, no agreements were to be signed. In short, the Association decided to establish the open shop.[81]

After the abrogation of the agreement the two organizations plunged into a bitter struggle. Prolonged and expensive strikes and lockouts occurred. For a time the employers had the upper hand since an open-shop wave was then sweeping the country in all lines of industry. Gradually, however, the union began to gain ground and ultimately it succeeded in getting many members of the Association to sign agreements, either as individual foundrymen or as members of local associations. At the present time the union appears to have weathered the storm quite safely and to be reasonably content with its position. In 1916 the Association claimed to have in the shops of its members about one eighth of the molders and coremakers of the country. It also estimated that about eighty-five per cent of its members ran open shops.[82] If the figures given out by the Association are correct, it is evident that association shops have made a considerably increased use of unskilled or comparatively unskilled labor since 1904.

[81] The Founders' Association contained many members who also belonged to such anti-union organizations as the National Association of Manufacturers, the National Metal Trades' Association, and the Citizens' Industrial Association of America. It is further worth observing that a dull season in the trade arrived in 1904, making the time particularly opportune for breaking off friendly relations with the union.

[82] In 1912 the Association aided twenty-one members in labor disputes. In 1913 it aided thirty-two. In 1914 only five members received assistance.

CHAPTER X

The Standard Rate

"In order to make any effective regulation concerning the price at which workmen in the trade shall sell their labor to the employers, it is necessary for a union to formulate or adopt a measure for the labor which is to be sold and to fix a price for it. This price is ordinarily called a 'standard' or 'minimum' rate. Below that rate no workman in the union is allowed to sell his labor. The problems which a trade union encounters in formulating a standard rate differ widely according to the nature of the rate involved, i.e., whether it is a piece rate or a time rate. With a price rate, it is the product that is to be standardized. The varieties of product must be classified, the work must be defined, and a system of measurement must be adopted. On the other hand, with a time rate, the difficulty lies in the differing capacities of the workmen."[1]

One of the earliest rules of the Molders' Union provided that no member should endanger the job of another member by working at a lower rate of pay or even offering to do so. As far as possible local unions have always tried to secure the inclusion of a specified standard wage in their trade agreements, but not until 1902 was it made obligatory upon international officers to see that all agreements called for such a wage. The standard rate of the Molders is a minimum rate. Foundrymen have always been at liberty to pay their men above the scale.

Piece Rates.—Piece work in the foundry industry has obtained chiefly in the stove branch where it has undoubtedly been "as old as the industry itself." Stove manu-

[1] Barnett, "The Printers: A Study in American Trade Unionism," in Publications of the American Economic Association, vol. x, 1909, pp. 108–109.

facture has always been particularly well adapted to the piece system. Stove patterns are made repeatedly. They enjoy a run for at least one season and, when a popular style of stove has been produced, they may run for several years. Again, the number of pieces in a stove or furnace is comparatively small. It is thus fairly easy to adjust piece prices in a stove shop. The steady output of relatively few castings gives an opportunity to gauge the working time on each unit of product. Furthermore, owing to their specialization on a few patterns, stove molders do not suffer the delays attendant upon turning from one job to another. This condition of affairs enables them to learn how to put up a flask in the quickest possible time.

In the typical jobbing and machinery shop a large number of patterns may be used and the molders may be required to take up new jobs every few days. In jobbing foundries, especially, new patterns may be introduced with considerable frequency. The constant introduction and discard of patterns makes it difficult to tell just what the rate for one casting ought to be as compared with another since sufficient experience in making any one casting may be lacking. The repeated fixing of new prices would cause endless bargaining and the price lists would be interminably long and complicated if the piece system were used. For these reasons day work has been found best in jobbing and machinery shops of the ordinary sort. Within recent years piece work has made some headway in certain types of jobbing and machinery shops. "Specialty shops," such as foundries which make nothing but parts for a particular automobile, have introduced the piece system since they run the year round on a few patterns only. Wherever a few patterns have been made repeatedly by floor or bench molders or by molding-machine operators, conditions have been favorable for the payment of piece prices.

Piece prices in the stove branch were originally paid by the pound or ton. "The growing diversification in the patterns of stoves soon made it necessary, however, to fix

separate prices for each kind of stove, and thereafter, as the subdivision of the work in the making of stoves proceeded, for each piece of the stove."[2] When the total price for making a stove was divided among the several pieces it became customary to call the piece prices "board prices" from the fact that each pattern was placed upon what was called a "follow board." Accordingly, whenever the molders obtained an increase in wages, they were granted a certain per cent additional upon "board prices."

The regulation of piece-price adjustment in the stove industry has been established under the conference agreements between the union and the Stove Founders' National Defense Association. In 1892 it was decided at the second conference that "the general rate of molders' wages should be established for each year without change." If either party desired alteration of the wages paid, it was required to give notice at least thirty days before the end of the agreement year, otherwise, the wages current were to remain in force during the coming year. Under these arrangements the existing board prices in the shops controlled by the Association were to be taken as a standard. It was left for the annual conferences to decide whether such prices were to be continued or whether a certain percentage was to be added to, or subtracted from, them. Since 1899 the Association has granted increases at ten of the conferences. The increases granted since 1916 have been based upon the original 1892 prices plus the percentages already gained.

During the early years of unionism there were many inequalities in the prices paid for castings in the same shop and district. Whenever foundrymen secured the upper hand, they cut as many prices as possible and when the unions obtained the advantage they forced up prices upon certain pieces or upon an entire class of stoves. When new work came into a shop the molding prices were set without much relation to the prices previously paid for

[2] D. A. McCabe, "The Standard Rate in American Trade Unions," p. 47, in the Johns Hopkins University Studies, Series XXX, No. 2, 1912.

similar castings but with regard largely to the bargaining strength of employer and union. It soon became the policy of local unions, not merely to secure higher prices, but also to equalize prices on a basis of the labor and skill involved in different jobs. In 1862 local union No. 1 of Philadelphia gave up a demand for a general increase on all castings for an "equalization of stove prices, . . . bringing the lower up to the higher."[3] Other local unions followed the same policy, yet even in 1891 there were many cases of inequality in the molding prices paid in a single foundry, while "prices paid for similar work made in separate foundries were subject to inequalities, at times amounting to 40 per cent of the total price."[4] At the 1892 conference between the union and the Defense Association the following resolutions relative to price equalization were adopted:

> The present established price of work in any shop should be the basis for the determination of the prices of new work of similar character and grade.
>
> When new work of a character or grade different from that previously made is introduced into the shop, the basis of price should be the average paid for goods of similar grade or character by competitive founders. "Competitors" or "competitive founders," as applied to stove manufacturers, are firms disposing of goods of similar grade in the same market, and not necessarily firms manufacturing in the same district.
>
> Any existing inequality in present prices of molding in a foundry or between two or more foundries should be adjusted as soon as practicable upon the basis set forth in the foregoing paragraphs, by mutual agreement or by the decision of the adjustment committees provided by the conference of March, 1891.
>
> Whenever by improved appliances, new or different methods, or superior facilities introduced by the manufacturers, an increase in the quantity of work produced can be made, the price of molding may be decreased proportionately; Provided that the new price shall not reduce the average wages of the molder who makes it.[5]

In 1903 it was further agreed that the "present established price of work in any shop should be the basis for the determination of the price of new work of similar character and grade, *unless* the presidents of the two organizations, or their representatives, shall decide that the

[3] Iron Molders' Journal, May, 1881, p. 1.
[4] Frey and Commons, pp. 156, 157.
[5] Iron Molders' Journal, February, 1892, p. 5.

established prices of similar work in the shop are not in accord with the price of competitive goods made in the district."[6]

Whenever it becomes necessary in any shop to adopt new prices or to readjust old ones in accordance with the above agreements, an effort is made at first to secure an understanding between the foundryman and the price committee of the local union involved. When this cannot be done, officers are sent from headquarters by the two associations to take up the matter. As a rule, in such cases the union has delegated a vice-president to represent it and the Association has sent its secretary. When these men visit a foundry together and examine a stove, the price of which is in dispute, the following method is carried out:

> They select another stove of similar size, style, and construction, made in the district, whose molding price has already been set and accepted by both the foundryman and the molders and recognized as a standard. This stove is taken apart, piece by piece, and laid out on the floor. The stove to be priced is then compared, piece by piece, the patterns of each stove being laid side by side, and a price is set upon them that will correspond with the prices paid for the stove selected for comparison, due allowance being made for the differences in the individual patterns so far as the labor required to mold them is concerned. By this method guess work is eliminated and a practical rule is applied which meets every requirement. The officers of both sides who give this work their attention have become experts, and their findings are generally accepted without question by the parties affected.[7]

Relative to the problems arising from the use of defective or deficient materials, Professor D. A. McCabe states:

> Liability to defective or deficient materials or to the emergence of physical conditions which made production of goods of the proper quality abnormally difficult has raised issues which have been of importance in several trades. The establishment of rules as to when special provisions for payment to meet such conditions shall come into force has given quite as much difficulty as the decision of what is to be paid. Workers of molten iron and glass are especially hindered in securing output by poor materials, and the rules for the determination of when materials shall be considered too poor to be worked at the regular list prices have demanded much attention in these trades.[8]

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[6] Conference Agreements, issued January 1, 1917, Clause 7.

[7] Frey and Commons, pp. 157–158. Neither the value of a stove nor the number of cubic inches of sand in a flask have ever been considered in fixing piece rates.

[8] McCabe, p. 65.

The molten iron coming from the cupola is often "dull" or "dirty." Likewise there are cases where cores are imperfect, where insufficient iron has been melted or where "chill cracks" have occurred. "Dull" iron is iron that is too cold to pour properly. Prior to 1896 stove foundrymen often refused to pay for castings made with dull iron, placing the entire loss upon the molder. The molders protested, doing so at times with so much vigor that an open rupture occurred between them and their employers. While there were times when the employer was evidently at fault for providing dull iron, there were other instances when "it was almost impossible to place the responsibility for work lost through this cause, since molten iron loses its life rapidly after being drawn from the cupola. Iron hot enough to run the thinnest pieces would be held at times in the ladle carried by the molder until it was unfit for use. Under such circumstances the loss of work could properly be attributed to the molders' carelessness or lack of judgment. On the other hand, the greater amount of work misrun by reason of dull iron was caused by a 'bad heat,' the iron drawn from the cupola not having sufficient life and fluidity to properly fill the molds. . . . The fact that both foundryman and molder might be responsible for work misrun gave ample opportunity for disputes. . . ."[9]

In 1896 the problems of dull and insufficient iron were taken up in conference. The rule was adopted that when there was a bad heat causing dull iron, the foreman's attention should be called to it. Payment was to be made for work lost from dull iron "only when poured by the foreman's order" or by that of the person next in authority. It was also agreed that when work had to remain over because there was not enough iron to pour, the molders were to be paid for it at one half the regular price. In case of the "breakdown of machinery, or other unavoidable accident," however, no allowance was to be made.[10] These

[9] Frey and Commons, pp. 130, 181.
[10] Iron Molders' Journal, April, 1896, p. 151.

provisions remained in force for seven years but did not give complete satisfaction to either side. In 1903 the dull-iron rule was changed to read as follows:

> When it is shown that the aggregate loss on account of dull iron amounts to 4 per cent of the total value of the work poured by the molders in any one heat, it shall be deemed a bad heat and payment shall be made for all work lost from this cause; it being understood that when more than one cupola is used the molders receiving iron from each cupola shall be considered the same as though they were working in separate shops in making the above computation.[11]

The new clause proved more satisfactory than the old one since it provided a means of determining just when a heat was to be considered dull. Yet the arrangement did not give complete satisfaction. The molders thought 4 per cent too high a figure. In 1906 the agreement was amended to provide that if the aggregate loss from dull iron throughout a shop should be less than 4 per cent when, at the same time, 10 per cent of the molders lost 10 per cent or more of their work in the aggregate, then such men should be paid for all losses in excess of 4 per cent of their work. Each cupola was still to be considered a separate shop. This provision obtains at present. The original understanding regarding insufficient iron also remains in force with the additional provision that "the cutting through of the cupola bottom is not to be considered as a breaking down of machinery."[12]

From 1906 to 1910 the union representatives complained at the annual conferences that their members had lost much work from dirty iron and asked that such losses be paid for in full. The Association replied that actual losses from this cause were small, because no employer would knowingly purchase iron of an inferior grade and it also held that molders often entered claims for compensation on account of dirty iron when they themselves were at fault because of careless pouring. In 1910 the conference, after reviewing the whole situation, decided that it would be un-

[11] Ibid., April, 1903, p. 252.
[12] Ibid., April, 1906, p. 228; Conference Agreements, issued January 1, 1917.

wise to adopt "any sweeping resolution" relating to the subject and that the best plan would be to adjust locally all cases of abnormal loss from dirt or slag. Where work has been lost on account of defective cores, "chill cracks," or over-weight castings, adjustments have also been made by the locally interested parties or by the national officers.

Minor questions affecting piece rates have been those relating to charges for wheeling and cutting sand, "shaking-out" castings, and those concerned with the payment of substitute molders and sub-contracting. For many years it had been the custom of piece-working molders to pay foundry laborers to wheel and cut sand and to "shake-out." Since 1902 the union has endeavored to convince the Defense Association that its members should assume the burden of paying for these services. The Association agreed in 1907 to deliver new sand free of charge but it has refused to give favorable consideration to the other two demands. At the 1914 conference the union finally consented to a fixed scale of discounts to be charged against piece rates when the employer paid laborers for such services as carrying iron to a molders' floor, cutting and trimming sand, shifting weights and sleeves, and "shaking out." Substitute molders, or "cat skinners," were once paid the regular price rates but since their earning capacity suffered on account of their changes in work, the union succeeded in obtaining an agreement from the Defense Association in 1905 whereby such molders were to receive 15 per cent premium on regular rates for the first three days of their employment and straight rates thereafter, unless they were shifted to new jobs. The sub-contracting issue has never been taken up with the Defense Association, but since 1908 the union has forbidden its members to sub-contract because such a method of operation is likely to result in a cutting of rates.

In the piece-working shops it is necessary to count all the castings and to credit each molder with his output. According to Frey and Commons:

The removal of casting from the foundry to the cleaning room was often done in a slip-shod manner, and an opportunity was afforded dishonest foremen to give credit for less work than had been made. Again, castings which were broken through carelessness by other workmen in the cleaning and stove-mounting departments were thrown away. By these methods the molders were frequently imposed upon, and to prevent this they would insist upon having each day's work counted after they had placed the castings at the end of their floor and on the edge of the gangway running through the foundry. This was known as the 'gangway count.'

Many firms refused to adopt this method, and several of the most severe strikes in the union's history resulted. It also happened at times that "some of the work would contain imperfections for which the molder was responsible, and for such work he was not paid. It was 'discounted' against him." This gave the foreman a chance to cheat the journeymen. "To protect themselves on this point the molders would demand the right of seeing all of their 'discounted' castings before they were broken up for remelting. The foundrymen were not always agreeable to granting this privilege. . . ."[13] Since 1891 the union has been able to introduce the gangway count into practically all stove shops as the employers have gradually recognized its fairness. Action in conferences with the Defense Association has not been needed. It has also been found possible to settle "discounting" problems by local adjustment or by action on the part of national representatives of the two associations without the formulation of any specific conference agreement on the question.

"As a piece price is set upon each casting, it is necessary for the molder to know the price paid for each piece. . . . Many firms [once] were unwilling to furnish their molders with a list of the prices they were paying for their work, and frequently there were two or three prices on the same piece in the same foundry. This condition easily led to abuses which were the cause of much friction, suspicion, and bitter feelings."[14] As early as 1866 the international

[13] Frey and Commons, pp. 128–129.
[14] Ibid., p. 128.

union recommended that shop committees be required to make out price books, entering therein all day and piece prices. At the 1896 conference with the Defense Association the union pointed out that "if a uniform price on a similar class of work was to be paid in each district it was evident that the molders as well as the foundrymen should be aware of the prices paid." Convinced of the soundness of this argument, the conference ruled that members of the Association "should furnish in their respective foundries a book containing the piece prices for molding, the same to be placed in the hands of a responsible person."[15] Some members of the Association construed the term "responsible person" to mean a superintendent, a foreman, or an office clerk. The journeymen insisted that such person should be a "representative molder," since the men were the ones whose interests were primarily protected by a price book. The 1899 conference straightened out the tangle by providing that the book should be placed in the joint care of the foreman of the foundry and a responsible molder agreeable to both employer and employees. The 1904 conference further adopted a rule that when prices on piece work had been agreed to, they should promptly be reduced to writing. Since 1913 it has also been provided that the prices on all work should be stamped on the bottom boards of match plates. The price book, however, still remains the official record on piece rates.

Union rules in 1876 required that new work in a stove shop was to be priced by the committee of the local union within six days after its introduction. At the 1896 conference it was agreed that under ordinary conditions, new work should be priced within two weeks. Many employers subsequently proved dilatory in coming to terms on prices within the two-week period while others tried to price work even before it had been "placed in the sand." To both of these practices the union objected. To remedy the latter a conference rule was passed in 1907 to the effect that new

[15] Iron Molders' Journal, April, 1896, p. 151.

work should not be priced until it had been made for six days and that the molder working on the job should be consulted about the rate to be paid. Where representatives of the union and the Defense Association have been called in to settle price disputes, local unions and employers have not been given the right to veto such settlements. These disputes, obviously, have passed the point where prices can be fixed so as to be thoroughly acceptable to both local parties.

The Molders have advanced several objections to piece work as it has been practiced in American foundries. They have charged that the nervous excitement of piece work causes many physical breakdowns. Secondly, it has been held that piece work encourages "hogging" or "rushing" to such an extent that a year's work is done in six months or some such time, thereby causing unemployment. This view, of course, has been based upon the "lump-of-work" theory. Thirdly, the tendency to "rush" or overwork has been alleged to have a bad effect upon piece prices. Fast work means large earnings; large earnings afford the employer an excuse for reducing piece prices on the ground that they are too high and that the men make more than journeymen in other shops. More speeding up then results, earnings attain something like the old level, and finally another cut is made. Piece work has also been condemned because it has encouraged long hours, because it has allowed foremen opportunity to favor particular molders by giving them the better-paid jobs, and because the piece worker has often been paid only for perfect castings, even though he has been supplied with inferior materials. The union has recognized the balance in favor of piece work and has never failed to realize that its abolition would require revolutionary changes in the stove industry. In the machinery and jobbing branch, however, the union has steadfastly denied the necessity for piece work.

One of the first measures adopted at the convention of 1860 consisted of a recommendation "to the Molders of the

United States" for the "abolishment of all piece work as soon as practicable."[16] In 1866 the convention went beyond mere recommendation and voted that after January 1, 1867, piece work should be abolished in all shops under the jurisdiction of the general union, provided the plan, upon being submitted to a referendum, was approved by a majority of three fourths of the local unions. When the referendum was taken, only some twenty of the local unions voted and these were almost evenly divided upon the issue. After 1870 a new policy was adopted by those who were opposed to piece work. Realizing that it would be difficult to secure a convention or referendum vote in favor of the system's abolition, they proposed that members working by the piece be restricted to a fixed wage limit per day in order to destroy any incentive for "speeding up" and to keep the employer from reducing piece rates on the ground that the men were making too much money.

At every convention during the eighties resolutions were introduced seeking the abolition of piece work or some limit on piece workers' earnings. By this time piece work had begun to make inroads in agricultural, and machinery and jobbing shops, thus making its opponents the more eager for its destruction or curtailment. Some local unions adopted rules fining members who worked by the piece elsewhere than in stove shops. Other local unions applied a "limit law" with success, if we may believe certain reports. The feeling gradually gained ground, however, that the abolition of piece work was impossible. Limitation upon earnings, on the other hand, continued to be viewed more and more as a practicable thing or as an experiment worth trying. Accordingly, in 1886 it was voted that piece-working members should not be allowed thereafter to "make over $3.50 per day." Penalties for violation of the rule were left in the hands of local unions. The "limit law" naturally proved a dead letter. Consequently, in 1888 the national rule was abolished and local unions were allowed to regulate the

[16] Proceedings, 1860, p. 4.

matter as they saw fit. It continued to be the sense of the convention, however, "that piece work is detrimental to our organization, and should be abolished." [17]

In 1892, as noted above, the union and the Defense Association in conference agreed to establish a "general rate of molders' wages . . . for each year without change." All shops belonging to the Association operated on the piece-work plan. The conference arrangement provided for the settlement of piece prices on a basis that prevented reductions by individual members of the Association and adjustments made under it later proved that the wage tendency was to be upward rather than downward. In spite of these considerations, however, objections to piece work continued. At the convention of 1899 a horde of resolutions relating to wage limits and the abolition of piece work were introduced. After considerable discussion the convention voted to submit one of the abolition proposals to a referendum. When the popular vote was canvassed, 12,449 ballots were counted in favor of abolition and 1,048 against it. This result did not directly commit the union to strikes against piece work, but it did set the seal of approval upon an educational campaign looking toward the gradual elimination of piece work. The union understood the situation too well to embark "upon the crazy enterprise of attempting to effect a lightning change in all stove foundries."

In March, 1900, at a conference with representatives of the Defense Association the union asked that the substitution of day work for piece work be considered by the next convention of the Association. Immediate opposition to any change was expressed by the representatives of the Association who declared that day work would cause "a revolution in the stove business," make it impossible to arrive at costs of production, and do injustice to molders physically unable to earn minimum time rates. They also declared that day work was wrong in principle as it would put the efficient man "on a par with the lazy or unskilled work-

[17] Ibid., 1888, pp. 56, 68, 80, 92.

man," and they criticized the union's referendum in that machinery molders, who were not vitally affected by the question at issue, were allowed to participate in the balloting. After spending considerable time in their argument the Association's representatives finally agreed to present the union's resolution to their convention "without in any manner committing themselves regarding the change."[18] This convention, however, refused to endorse the resolution.

The 1902 conference also considered some of the aspects of piece work. It was urged that "stove manufacturers avoid the policy of making up jobs which are so undesirable that, in periods of demand for molders, few can be induced to work on them." Furthermore, it was agreed that "work which is of itself considered poor should be divided up as much as possible, so that no molder should suffer unduly." By means of this plan it was expected that one of the minor objections to piece work would be eliminated. A more important move, however, was embodied in another resolution. While a wage limit had been abolished by the general union in 1888, several local unions still endeavored to enforce some limitation, much to the dislike of the foundrymen. Now the latter asked that all limitation of output be discontinued. "It appeared evident to the representatives of the Molders, however, that some guarantee should be given which would eliminate the belief . . . that large earnings would tend to reduce piece prices; otherwise, the molder would not feel free to put forth his best efforts, fearing that he would endanger his future earnings." This guarantee was secured by the adoption of the following clause in the conference agreement:

> Inasmuch as it is conceded by the members of the Stove Founders' National Defense Association that the earnings of a molder should exercise no influence upon the molding price of work, which is set, according to well-established precedent and rule of conference agreements, by comparison with other work of a like kind, the placing of a limit upon the earnings of a molder in the seven hours of molding should be discontinued in shops of members of the Stove Founders' National Defense Association.[19]

[18] Iron Molders' Journal, April, 1900, p. 184.
[19] Ibid., April, 1902, p. 204.

At the union's 1902 convention President Fox made special reference to this clause and "the convention thereupon placed itself on record as being opposed to any form of limitation of output in any branch of their craft."[20] Within recent years certain union leaders have declared that their organization "does exist in part for the purpose of protecting the molder or coremaker from being driven to follow the 'records' which may be made by a man whose ambition is to put up a day's work which no one else can reach, or to have his wages based on the 'record' made by a 'rusher.'"[21] This statement, coupled with the complaint of many employers that limitation of output continues to exist, would appear to support the conclusion that while the union is opposed to the limitation of output as a general policy, it finds it necessary under certain conditions to tolerate local limitation in practice.

Mention has already been made of efforts which were put forth during the eighties to exclude piece work from agricultural and machinery and jobbing shops. During the following decade several successful strikes were called either to retain or to secure day work in such foundries. After the agreement with the National Founders' Association was made in 1899, a few local arrangements were entered into with members of the Association which provided for the continuance of piece work where it was already established. In 1904 the Association tried to secure assent to an agreement recognizing the right of foundrymen to introduce the piece or premium systems at prices which would enable molders to earn at least the ordinary day rate paid in the different foundries, no reduction to be made except upon the introduction of improved molding facilities or upon mutual agreement. The union, however, refused to enter into any such arrangement, as it wished to restrict rather than to encourage piece work. Since 1904 the union has been able to maintain day work as the prevailing system

[20] Frey and Commons, p. 179.
[21] International Molders' Journal, November, 1914, p. 896.

in the machinery and jobbing foundries under its control. However, it has been unable to prevent the use of piece prices in foundries where there is considerable specialization on certain lines of castings, and it has consented without much objection to the payment of piece prices for work made on molding machinery.

Time Rates.—According to Professor D. A. McCabe, "in the use of the time standard rate the most important question is as to the grouping of the members for purposes of uniform minimum rating." As this writer has pointed out:

> The line of demarcation between groups subject to different minimum rates has nearly always to do with the kind of work the members are performing, not with the degree of competency shown in doing work of the same kind. In many trades there are two or more separate kinds of work which are recognized as constituting distinct branches or subdivisions of the trade or craft, each in itself the special, and for the most part, exclusive, occupation of those who follow it. Where there are such occupational groups within the membership of a union . . . the general policy is to establish different minimum rates for groups recognized as requiring different grades of skill.[22]

In the case of the Molders we find that the problem of wage rates for different groups of members has caused considerable difficulty. It has been a settled policy of the organization not to insist upon the same rates for molders employed at different branches of the trade, such as machinery molders, brass molders, radiator molders, and the like. Until recent years it was also an accepted feature of the trade that coremakers should have a lower rate than molders and that bench molders should be paid less than floor molders. The efforts of the union to eliminate these two "differentials" call for some discussion.

As previously noted, coremakers were first organized in a separate national union. In 1903 this union amalgamated with the Molders. By themselves the coremakers had been rather weak and, consequently, they had not been able to obtain wages equal to those paid molders. The average difference in wages amounted to about fifty cents per day.

[22] McCabe, pp. 82–83.

Employers claimed that lower wages for coremakers were justified because their work was not as skilled as that of molders. This contention the union accepted for some time. In 1907, however, it came to the conclusion that the differential ought not to exist and the incoming officers were instructed to eliminate it. This action was taken, partly because it was felt that the coremakers possessed equal skill and partly because the union desired to strengthen the allegiance of coremaker members. By 1910 it was reported that the differential had already been superseded by a flat minimum in many cases. In 1913 important agreements were negotiated with the American Locomotive Company and with forty Philadelphia foundrymen for the abolition of the differential. In the New York district, likewise, a flat minimum was generally obtained. In 1915 there were sixty-seven local unions whose coremaker members received less than molder members. At the close of 1916 an equal wage had been established in thirty-three of these unions. The consolidation of coremakers' local unions with local unions of molders had much to do with the ability of the union to abolish the differential.

The differential between bench and floor molders was based upon the theory that bench work was lighter and less complicated than floor molding. On an average, bench workers were paid twenty-five cents less per day. At the 1899 convention it was voted to make every effort to abolish the differential. "From 1900 to 1904 the propriety of the differential was a prominent subject of discussion in the series of conferences between the Iron Molders and the National Founders' Association. . . . The Molders maintained that the differential never should have existed, as bench work was on the whole worth as much as floor work, especially in machinery and jobbing foundries. . . . They argued, too, that the differential had been granted in only a few cities and would be an innovation in the great majority of places. At a conference held in the following February the Molders produced statistical data to support

this contention."[23] The union also expressed the fear that recognition of a differential would induce employers to put work on the bench that had formerly been on the floor and declared that this had been done where the differential had been in force.[24] At the final conference of 1904 no progress had been made toward a settlement of the issue. Since that time the union has been steadily eliminating the differential. In 1915 the differential obtained in twenty-five local unions; at the close of 1916 it was found in only thirteen.

At its first conference with the union the National Founders' Association proposed the appointment of a committee to collect data about "existing conditions, customs and prices throughout the country; to tabulate the same, and from the facts thus gathered to prepare a schedule of wages they would recommend to be adopted by the two associations, the same to be graded and arranged, as in their judgment will best protect the interests of all parties." This plan, which was preliminary to classifying molders on a basis of competency, the union conferees rejected. They asked, in turn, that the foundrymen recognize "the principle of a minimum wage," it being understood that in settling the wage rate due consideration should be given "to the diversified nature of the work which would be affected by its application."[25] To this, however, the employers would not agree. It was the opinion of the union that the grading of molders on any other basis than that of trade branches would prove impracticable, except perhaps, in certain specialty shops. "The lines of demarcation would be difficult to fix, and work and wages would tend to gravitate to the lowest grades. as had been the case where there was a difference between bench and floor rates."[26] Another argument advanced later on was that plain work should not be classified for lower rates because a greater output was required on it

[23] Ibid., pp. 91–92.
[24] In 1902 a Detroit concern made bench work of flasks that required two men to handle.
[25] Iron Molders' Journal, July, 1899, p. 349.
[26] McCabe, p. 93.

than on work requiring more skill. It was also maintained that there was not a sufficient amount of plain work to justify a general lower rate. At the conference of October, 1902, the union representatives admitted that some concession might be made for plain work in a few foundries, but they expressed a preference for dealing with each case on its own merits. The union steadily opposed all general schemes for classifying any one type of molders in the same foundry although, as noted previously, it had no objection to classifying different kinds of foundries.

The proposals for classification made by the Founders' Association during the years of negotiation over the question were not always the same. At times a lower rate was suggested for coarse or plain work and at other times a lower rate for less skilled men was requested. In 1902 the Founders requested that the wage rates paid in small cities and towns should be at least twenty-five cents less than those paid in large cities on account of differences in the cost of living. In 1903 they proposed that if a basic wage rate were established in foundries under its jurisdiction, its members should be allowed to enforce a differential of ten per cent that might be extended to as many as forty per cent of their molders, both floor and bench. Throughout the conferences the union manifested a determination to accept no proposal that would in any way undermine its policy of maintaining one standard rate for each branch of the trade. It offered no objection if the employer wished to pay exceptional mechanics more than this rate. Neither did it oppose the employer's right to discharge molders unable to earn the rate. The union balked at classification such as the Founders proposed, chiefly because it felt that the way would be opened for the serious competition among the classes.[27]

"It has long been the practice among the Iron Molders,"

[27] The Molders have always allowed aged members to work for less than the regular minimum. Since 1904 it has also permitted members who have just passed their period of apprenticeship to be paid a lower rate than ordinary journeymen for a period not to exceed six months.

says Professor McCabe, "to observe a 'set day's work.' Originally, a 'set' was the number of castings which a man was expected by the employer to do. The workman later began in many localities to adopt 'sets' for themselves, and the amount of work which was to be regarded as a 'set' came finally to be the subject of agreement between the employer and the shop committee." Only castings which were made in considerable number, such as car wheels, had an established "set." The average daily output of the man who made a casting first was ordinarily recognized as the basis of calculation by the shop committee.[28] Fines were sometimes imposed upon molders who exceeded the established rate of output. "Sets" were justified by union members on the ground that they afforded protection against "rushing." Foundrymen naturally complained about the restriction of production involved in a "set." In 1901 the matter was thrashed out in the settlement of the big Cleveland strike. In the agreement which was adopted Section 7 read as follows:

> The arbitrary limitation of output on the part of the molders, or arbitrary demands for an increase in the output of the molder on the part of the foundrymen, not being in accord with the spirit of equity which should govern the relationship of employer and employee, all attempts in that direction are to be viewed with disfavor.[29]

At the 1902, 1903 and 1904 joint conferences the Founders' Association proposed that there should be no set day's work except by mutual agreement, that there should be no restriction of output, and that no fines should be placed upon molders to retard them in their work. The union agreed that arbitrary limitations to output should be stopped and that members should do a "fair and reasonable day's work," but it asked that "pace-makers" be discontinued and that it should not be considered a matter of limitation if journeymen refused to duplicate the output of specially paid "rushers." It also suggested that disputes over what was to be a day's work should be taken up by foundry

[28] McCabe, p. 110.
[29] Iron Molders' Journal, March, 1901, p. 134.

foremen and their shop committees, with an appeal to national representatives where a local agreement could not be arranged. Since the Association asked that union members give up all restraining influences over output while the union held that "some little measure of restraint" was justifiable, the parties were not able to reach a satisfactory understanding at any of the three conferences.[30] Since 1904 several authorized strikes have been called against "increasing the day's work" in order to prevent injury to the physical welfare of union members and to check "rushing."

The Molders have never been friendly to "premium" or "bonus" plans for wage payment. "As early as 1887 there was objection on the part of the union to the 'day and a dollar,' or 'day and a quarter' or 'day and a half' system of payment, under which a man or group of men who reduced by a specified amount the average time for turning out a specified amount of product received a dollar or a fraction of a day's wage addition to the regular daily rate."[31] From about 1903 onward there was considerable adverse criticism on the premium plans that were being introduced into some of the larger shops on the ground that molders who worked under these plans did not receive full wages for any extra work beyond a day's set output. The employer's right to share in the gains of increased output was not recognized. At the convention of 1907 the union had voted that inasmuch as the premium system was a special disadvantage to older molders, on account of the "standard time" being set to fit the speed of able-bodied mechanics, the officers of the organization were to use their efforts to check its growth. Consequently the executive board decided that strikes should be authorized wherever, under the premium plan, molders were discharged for refusing to do more than a "day's work," to work under "humiliating conditions," or to work with someone standing over them with a stop watch. Several strikes have been called against premium work, including one at the Water-

[30] Ibid., November, 1902, p. 941; May, 1903, p. 348.
[31] McCabe, pp. 111–112.

town U. S. Arsenal in 1911. Partly as a result of this strike Congress appointed a special committee to investigate the "Taylor system" as employed in government shops.[32]

Disparities in wages in different shops have existed in the machinery and jobbing trade from the very first and in many cases they were quite marked. The movement to equalize day wages naturally began with attempts to secure uniformity within a certain town or district of limited size. In 1867 Newark molders struck to get the same wages that were being paid in New York, Jersey City, and Paterson. During the '70's the small local unions in the Ohio Valley succeeded in getting both day and piece wages based upon those paid in Cincinnati. While the New York agreement was in force, it was the policy of the union, "bearing in mind the close competition existing between foundrymen in the same and adjacent districts," to favor gradual wage increases in low wage districts, rather than to secure increases for the better paid districts. As a result, wage variations of as much as fifty or seventy-five per cent were "largely eliminated."[33] It has frequently been proposed, but without success, that a uniform time wage be adopted for the entire country. Within recent years considerable progress has been made toward wage equalization by means of agreements with large corporations which employ molders in different quarters of the country. In 1912 seven local unions were covered by an agreement with the American Locomotive Company. Flat minima have also been established with district associations of foundrymen. For example, in 1913 an agreement for a minimum rate was signed with the Nebraska Foundrymen's Association. In 1917 a fixed rate was established for "day-work molders" in shops controlled by the Stove Founders' Defense Association. In 1918 the rate was increased and was also made applicable to coremakers.

[32] Mr. John P. Frey, editor of the Molders' Journal, served as an investigator for the U. S. Commission on Industrial Relations in making a study of efficiency systems. In his report Mr. Frey vigorously assailed these schemes because they placed too much emphasis on profits and too little upon the welfare of labor.

[33] Proceedings, 1907, p. 6.

CHAPTER XI

The Hours of Labor

Chaos prevailed in the molding trade before the days of unionism so far as the hours of labor were concerned. The early blast furnaces and foundries frequently had no fixed time for pouring off. The molds were prepared, the blast was put on, and then the workmen went home to await summons by a call-boy whenever sufficient iron had been heated. Often the call would come in the middle of the night. Such conditions were due in large part to imperfect cupola construction. The early introduction of piece work and of the helper or "berkshire" system into the stove industry also tended to increase the hours of labor. Indeed, it was not "uncommon for molders to start work at four o'clock in the morning, . . . and the spectacle of a molder trudging through the streets at that hour with his 'berkshire' at his side bearing a lantern was not an unusual one to the night watch of those days."[1] In the machinery and jobbing shops the payment of day wages and the absence of the helper made conditions somewhat better.

Little can be learned of the attitude taken by the early molders' unions toward the workday. In 1835 it was reported at the convention of the National Trades' Union that the ten-hour system had been established by the "Founders" at Albany, Troy, and Schenectady.[2] If any other local unions prior to 1859 made efforts to regulate the hours of labor, they probably went no further than trying to establish a ten-hour day. In 1861 the question of hours first came before the International Union. A committee which was appointed by the convention to report

[1] D. W. O'Connor, in the Albany Argus, March 15, 1896.

[2] Commons and Sumner, Documentary History of American Industrial Society, vol. vi, pp. 253–254. Reprinted from The National Trades' Union, October 10, 1835, pp. 2–3.

"some plan by which agitation for the eight-hour system may be brought about," with additional instructions to devise "some plan whereby the ten-hour system may be carried into effect," reported that many molders favored the "universal adoption" of eight hours because they believed it would "tend to the amelioration, enlightment and education of the laboring class." Since reforms could only be "brought about by agitation," it was recommended, and subsequently adopted, that local unions be urged "to enforce the existing laws governing the hours of labor in their respective localities." Secondly, it was provided that a committee "be appointed to prepare and to publish an address to the People of the United States and Canada upon the subject of reducing the hours of labor to eight *per diem*."[3] In brief, the union took the ten-hour day as its immediate goal while it looked toward the ultimate adoption of eight hours. Its expression in favor of the eight-hour system was in all likelihood the first ever made by any American international union.

In 1864 President Sylvis expressed the opinion than an extensive educational campaign should occupy first place in any program for a reduction in the working day. The convention of that year accordingly marked time and merely called the attention of local unions to "the propriety of not going to work previous to six o'clock in the morning."[4] In the following year President Sylvis proposed that the time of going to work be fixed at seven o'clock in the morning, an hour that had "become the custom in many places and should be universal." Such a rule, he said, would be "the first step toward the ultimate establishment of the eight-hour system and the abolition of piece work."[5] The convention, however, did not act favorably on the suggestion until 1872, when it was shown that many "piece unions" were already enforcing a "seven o'clock law" with good results. As interpreted by President Saffin, the new rule

[3] Proceedings, 1861, pp. 19, 21, 23.
[4] Ibid., 1864, pp. 22, 24.
[5] Ibid., 1865, p. 13.

applied only to piece-work shops and meant that no union piece worker was to be permitted "to work at molding before the regular hour when all other mechanics and laborers go to work in and about the establishment in which such member is employed." [6] Before long considerable fault was found because the rule set no limit upon the number of hours to be worked either by day or piece molders, but only fixed the time when work might begin. In addition, it was discovered that piece workers insisted on brushing patterns, cutting, parting and riddling sand, and getting facing prior to seven o'clock on the plea that such work did not constitute molding.[7] In other cases, where the molder was not allowed by his local union to do this work himself, he hired someone to do it for him. This practice proved so difficult to stop that in time the union was compelled to recognize its legitimacy. As the rules now read, no "member" whether a day worker or a piece worker, is allowed to do any work before seven a.m. or after six p.m. unless foundry time schedules distribute the working hours for all employees otherwise.

The first important campaign aimed directly at shorter hours in both day-work and piece-work shops began in 1867. In that year several local unions joined other trades in strikes for eight hours contrary to the desire of President Sylvis who firmly believed that a shorter day could only be obtained through "agitation, education and legislation." This movement accomplished very little, as may be judged by the fact that when the 1876 convention adopted the first rule definitely limiting the hours of labor, it was provided that ten hours should be recognized as "a legal day's work." The hours must be between 7 a.m. and 6 p.m., with overtime "in the same ratio as for all other

[6] Ibid., 1874, p. 22

[7] "Hours of labor are unknown in some sections in the State of New York; the blowing of whistles or the sounding of bells at 7 A.M., 12 M. or 1 P.M. has no significance whatever, because of the fact that many a blow has been struck towards the day's labor before such signal is given" (James E. Roach, president of Local Union No. 8, in Every Saturday, Albany, December 5, 1893).

mechanics" in the immediate vicinity. An amendment to adopt eight hours in place of ten was lost after considerable debate. Two years later, however, subordinate unions were urged "to use all their abilities" in advancing the eight-hour day in their localities.[8]

In 1885 the Federation of Organized Trades and Labor Unions issued a call to all affiliated organizations for a general eight-hour strike on May 1, 1886. While many molders felt that their union should assist in carrying out the proposed movement, no active part was taken by it. The president and executive board believed "that the working people were not fully educated up to the movement and that it would be impossible to make it a success." This view was supported by the convention of 1886 which provided that "the eight-hour movement be left in the hands of the incoming officers until such time as they deem it advisable and then submit it to the popular vote of the members."[9] Before any referendum was taken, however, a new national workday was adopted. As early as 1872 a few unions in Canada had endeavored to secure a nine-hour day and in 1887 nine hours was actually obtained by several local unions on the Pacific Coast. Delegates from the latter group in 1888 secured the adoption of a resolution to make nine hours a "day's work" on and after April 1, 1889. No active measures, however, were undertaken to enforce the rule and it became a dead letter.

In 1890 the American Federation of Labor fixed May 1 as the date for a second great movement for the reduction of hours. The Molders were urged to join in the demonstration, but the executive board again decided that participation would be inadvisable. In 1895 President Fox stated to the convention that ten hours was "supposed to be the rule, but in many foundries little if any attention is paid even to this." He asked that a regular workday be determined in order to compel employers to start their heats

[8] Proceedings, 1876, p. 77; 1878, p. 53.
[9] Ibid., 1886, pp. 9, 34.

promptly or pay overtime. Since the nine-hour rule was unenforceable a ten-hour day with time-and-one-half for overtime was adopted. Provision was also made for a "Shorter-Work-Day Fund" to be raised by a direct tax not to exceed five cents per month on each member and the convention went on record as favoring the ultimate adoption of an eight-hour day.[10]

After sharp editorial prodding from the Iron Molders' Journal which compared the union to Rip Van Winkle because of its lethargy it was decided in 1899 to take a referendum on the adoption of an eight-hour day. This measure was passed after a sharp fight in favor of nine hours which had recently been established by the machinery molders of Pittsburgh. The referendum showed a vote of 12,367 in favor of the proposal to 796 against it. Although an overwhelming majority was rolled up for an eight-hour day, for some time local unions entered into no active campaign for it. They watched with interest the fight being made by the Machinists to enforce a nine-hour agreement with the National Metal Trades' Association, but they continued to make demands for higher wages rather than for shorter hours, although it was pointed out that the shorter day, once established, was more easily retained than increased wages.

Incited by the Printers' and the Machinists' policy of reducing the workday "an hour at a time," the Molders' officers decided at last to advocate "nine hours as a stepping stone to eight." On April 23 1900, the executive board, after receiving the referendum vote in favor of the eight-hour day, decided that a general strike to obtain the latter would be unwise since the certain failure of the movement in many localties would retard progress. Local strikes for nine hours, however, were approved and during the next year several unions were given assistance in forcing reductions to nine hours. In 1901 a nine-hour day was secured in several towns near Pittsburgh, in the jobbing found-

[10] Ibid., 1895, pp. 20, 56, 57, 64, 66, 69, 72, 90.

ries of Boston and vicinity, and finally in the foundries under the jurisdiction of the New York Conference Board. Strikes for nine hours were also inaugurated in San Francisco, Seattle, and Tacoma. Encouraged by these successes, the Molders in 1902 pronounced themselves in favor of the nine-hour day in all foundries under their jurisdiction. Furthermore, it was provided that all well-organized unions were to give preference to demands for a nine-hour day without reduction in wages, while the incoming officers were instructed to negotiate local and national agreements to the same end when possible.[11]

Following this action the first extensive movement for a shorter workday may be said to have taken place. The machinery and jobbing branches of the trade, where time rates prevailed, were the first to secure results. When local unions found that they could not get the sanction of the executive board to strike for higher wages, they fell in line for shorter hours. Their demands were soon granted in many foundry centers of New England, Pennsylvania, New York, and the Central West. By March, 1903, it was reported that 7,500 molders in day-work shops, largely machinery and jobbing foundries, had so far obtained nine hours, either by recent agreement or by "established custom." Of this number about 4,300 were in the New York and Pittsburgh districts. In December, 1903, it was stated that the number of nine-hour shops had increased during the year by over two hundred per cent.

In 1902 two conferences were held with the National Founders' Association. At the first the molders asked for a shorter day on the ground that labor-saving machinery made it possible from the employer's viewpoint and that increased effort and concentration made it necessary from the workman's viewpoint. The foundrymen, however, declared that shorter hours would mean less product and would, therefore, be impracticable at the time because of

[11] Ibid., 1902, p. 724. In all, six resolutions to reduce the working day were presented at the 1902 convention.

the extraordinary demand for castings. They agreed, however, to bring the matter to the attention of their administrative council at its next meeting. In the meantime, it was provided that whenever the nine-hour day became an issue, it was to be dealt with under the New York Agreement. At the second conference the union proposed a nine-hour day with ten hours' pay in return for which it promised to cooperate with the foundrymen "in using to their best advantage all improved facilities or methods introduced with a view to reducing the labor cost." By this time, however, the Founders had framed an agreement covering various foundry issues which they wished the union to accept in full. Their conferees accordingly refused to accept a nine-hour day unless the Molders subscribed to all provisions of the proposed agreement. The Molders, however, considered nearly all these provisions extremely obnoxious and refused to accept them. Consequently, as the representatives of the Founders refrained from considering a nine-hour day "upon its merits alone" and continued to deal with the question as a "subject of barter," no settlement was reached.[12] The position of the foundrymen shifted the following month at their sixth annual convention when it was unanimously agreed that the establishment of a nine-hour day was a local and not a national issue. Accordingly, at the final conference held in April, 1904, representatives of the Association declared that they would not accept a proposition for a nine-hour day, it offered. After this conference all movements for shorter hours in machinery and jobbing foundries necessarily involved individual employers only.

During the next few years there was a steady increase in the number of nine-hour unions. In 1907 President Valentine stated that seventy-five per cent of the membership in the machinery and jobbing branch, employed for the most part in large foundry centers, had a nine-hour day. In 1912 the per cent so working had increased to

[12] Conference Proceedings, MS., October, 1902.

ninety-five. In some cases, notably in all the towns of Montana, eight hours had been secured. The union, however, continued to devote its energies toward getting nine hours for all the unions. So successful were its efforts that by the end of 1910 few ten-hour cities were left. Finally, in 1912, the time was considered ripe for a further advance. It was then decided to declare for an eight-hour day and to require all well-organized unions to give preference to it in demands upon employers as had previously been done in 1902 with respect to a nine-hour day. Furthermore, all efforts were to be bent toward securing reductions by local and national agreements. Up to the present time this movement has had good success. At the close of 1916 the following gains for machinery and jobbing unions were recorded over the hours in 1915:[13]

Number of Local Unions	Hours for 1915	Hours for 1916
2	10 per day	9½ per day
26	10 per day	9 per day
14	9 per day	8 per day
1	54 per week	50 per week

The first rule adopted primarily to regulate the hours of piece workers was the so-called "seven-o'clock law." Soon after its passage agitation developed in favor of stating specifically the time to be allowed for actual molding. In certain quarters it was advocated that no molding be done after the dinner hour, and in others that the hours be limited to seven, seven and one half, or eight per day. Piece workers, of course, were affected by the general decisions in favor of eight-hour or nine-hour days, but it proved difficult to keep them within bounds because they would generally continue molding so late in the afternoon that more flasks were put up than could be poured off within the stipulated time. When conferences with the Defense Association were begun in 1891, the question of hours, like other matters pertaining to the trade, was submitted to national collective bargaining. In 1902 an agreement was finally reached with the Association for a molding day of seven

[13] International Molders' Journal, December, 1916, pp. 1047–1050.

hours. All unskilled labor, such as cutting sand and work of like character, was to be done by ordinary laborers. At the conference of December, 1910, it was further agreed that after April, 1911, the last ladle of iron should be given to the molder within an hour and three quarters after the seven hours of molding. Time given to sand-cutting was not to be included within the molding period. In 1913 the union asked that the hours of molding be reduced to six. The foundrymen contended that they had "had but two years in which to adjust themselves to the eight and three quarters hours rule and they should not now be called upon in so short a period to make another and still more radical change." [14] In December, 1916, a compromise was reached on a molding day of six and one half hours. Finally, it was agreed in 1918 that the last ladle of iron was to be given the molder within one and three quarters hours after six hours of molding.

Overtime has always been an important factor in the molding industry owing to numerous accidents and unforeseen delays that are bound to occur in preparing or handling a heat. It has frequently been complained that for this reason the hours of molders are more irregular than those of other workers. The international officers have always tried to discourage overtime because it "takes work away from the unemployed," and because tired men cannot be expected to do good work. As noted above, in 1876 a rule was adopted for payment of overtime "in the same ratio as other mechanics" in the "immediate vicinity." In 1895 it was provided definitely that time-and-one-half should be paid for overtime, with double time for Sunday and holidays. This rule, of course, involved an increase in piece prices as well as an addition to day rates. Very frequently piece workers have encroached upon the dinner hour. In 1895 it was provided that no union molder should "do any work between the hours of 12 m. and 1 p.m., if practicable." [15] This is the present rule.

[14] Ibid., January, 1911, p. 1; January, 1914, pp. 30, 50.
[15] Constitution, 1895, Standing Resolution No. 3.

Agitation for a Saturday half holiday began to appear in the early eighties. Attention was called to the fact that such an arrangement had been enjoyed for some time by English and Scotch molders who considered it an "inestimable boon." During the nineties a few local unions secured Saturday afternoons off, especially during the summer months. In general, however, there has been little interest among the molders in the half-holiday plan, due to the feeling that the efforts of the organization can be spent to better advantage by the promotion of the shorter workday. In 1886 it was proposed that the Molders imitate the glass workers' union by shutting down all stove shops from July 1 to September 1 each year. In 1907 the convention referred to the conference committee a resolution requesting the Defense Association to agree to a shut-down of one month during the hot summer weather. The committee, however, never took the matter up with the foundrymen. The summer-stop issue has never been pressed because other limitations on working time have been of more importance.

In advocating the shorter workday the Molders have advanced two doctrines at different times: first, that shorter hours realize a lessened product per man, thereby increasing the demand for journeymen; second, that they realize a product equivalent to, or greater than, that which can be obtained by longer hours. President Saffin was one of the first to give expression to the former doctrine, which has been called the "lump-of-labor" theory. In 1874 he advocated an eight-hour day "in the hope that there will be a corresponding reduction in the amount produced by each individually . . . until the demand for laborers equals the supply."[16] In 1885 the prevailing philosophy was more fully stated as follows: "It is not proper that some should be compelled to go in idleness. To diminish the hours of toil is to increase the value of labor. It will be the means of giving employment to unemployed labor. It will change

[16] International Journal, May, 1874, p. 361.

for the better the social state and character of the people. It will also strengthen the faith of the people in the political institutions of the country."[17] The well-known physical and educational arguments in favor of shorter hours were also stated. A little later it was said that shorter hours were "one of the important factors that will assist to solve the problem of what to do with the surplus of labor which the active American genius . . . is constantly throwing into idleness."[18] Irregular employment, underemployment and unemployment, with their accompaniment of tramp molders, scabs, non-union men, suspended and expelled union members, were all attributed to long hours.

By 1897 it became evident that a new theory of the shorter workday had to be adopted. An endeavor was then being made to interest employers' associations in a reduction of the working time. Such bodies could not be reached by the doctrine that shorter hours meant less product and the employment of more men at prevailing wages. In an address before the American Foundrymen's Association in May, 1897, President Fox rather inconsistently stated that the eight-hour day would reduce the army of unemployed and that at the same time it was the best system "from a business standpoint" because it might result in production equal to that of the ten-hour day. In the course of the next few years the "increased-productivity" theory became firmly established. It was reported that the nine-hour shops were the best money makers since they got the best molders and turned out the best castings. As a final statement of its faith in reduced hours, the union in 1907 declared that the shorter workday brought increased financial gain to employers through increased production and that it meant for employees better health, more time at home with wives and children, and opportunity for self-improvement.[19]

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[17] Iron Molders' Journal, January, 1885, p. 12.
[18] Ibid., August, 1887, p. 4.
[19] Proceedings, 1907, p. 130.

CHAPTER XII

Apprentices and Helpers

Apprentices.—As soon as American molders organized they endeavored to secure regularity with regard to the ratio, term, age, instruction, and pay of apprentices. Particular attention was paid to the ratio. Usually this question was taken up later than that of wages but in some cases it antedated the wage issue. The Molders have had two purposes in restricting the number of apprentices. In the first place, they have sought to prevent the 'overcrowding' of the trade; secondly, they have wished to give apprentices an opportunity to learn the trade.

As far as can be learned, the usual ratio observed by the early local unions was one apprentice to ten journeymen. In the Philadelphia union extra allowance was made for "sons of molders working with their fathers."[1] When the general union was formed, local unions were still left free "to regulate the apprentice system as they may deem expedient," although they were urged to adopt some means of securing a regularly articled apprenticeship.[2] Finally, the 1867 convention established a uniform ratio of one apprentice to each shop regardless of its size, and, in addition, one apprentice to each eight journeymen therein. When it came to enforcing the ratio the union found grave difficulty. Employers complained that the limit of one to eight prevented a proper recruiting of the trade and that it was a purely arbitrary, rule-of-thumb regulation. In many localities the apprenticeship issue caused severe strikes and lockouts.

Largely as a result of the criticism which was directed against the limitations of a fixed ratio, the Molders endorsed

[1] Iron Molders' Journal, April, 1881, p. 4.
[2] Proceedings, 1860, p. 4; Constitution, 1860, By-Laws, art. 5, sec. 4.

a system of indenture in 1876 after unsuccessful attempts had been made to secure the establishment of such a system through state legislation. The several local unions were instructed "to use every honorable means to have each and every apprentice to the trade of iron molding legally indentured" for at least four years. By a legal indenture was meant a contract between the employer and the parent or guardian of the boy whereby the former agreed to teach the boy his trade, furnish him work each working day in the year, pay him a stated wage, furnish him proper care during sickness, and be responsible before the proper courts. The apprentice was to agree to be "honest, sober and attentive," to work each working day, to advance his master's interest, and to "use diligence in learning the trade" during a maximum ten-hour day. Either party was to have power to break the indenture for sufficient cause as determined in court. Indentures were to be recorded with competent county officials. Whenever the employer refused "to have his apprentices indentured or to serve four years," each local union was "to do all in its power to restrict the employment of such apprentices" to the one-to-eight ratio. If the employer agreed to the plan, no specific ratio was to be enforced.[3] The passage of the indenture plan was hailed by President Saffin as something which should "disarm all opposition" to the union's apprenticeship policy since the doors of the trade were thrown open to all aspirants, provided employers agreed to become legally responsible for apprentices. The ideal system, however, did not work. Neither employers nor apprentices were anxious to take advantage of it. The age of indenture had long since passed. After a half dozen years' trial had proved the futility of the plan, it was completely dropped, and uniform enforcement of the old ratio was again attempted.[4]

Scientific discussion of the apprenticeship ratio first began

[3] Proceedings, 1876, p. 65.

[4] Ibid., 1882, p. 78. On several occasions after 1882 a second trial of the indenture system was unsuccessfully proposed.

with the annual conferences between the union and the Stove Founders' National Defense Association. At the first conference in 1891 it was unanimously decided to investigate the question. At the second conference in 1892 a resolution was recommended for favorable action to the membership of both associations which provided that "as reliable statistics demonstrate the average duration of a journeyman molder's continuance at his trade to be less than sixteen years, it is necessary, in order to maintain a proper supply of competent workmen, that one apprentice be employed for every six journeymen or one for every seven floors operated."[5] Since this provision practically meant the full recognition of a regular apprenticeship ratio by the foundrymen, a majority of the latter opposed its adoption. Likewise the union, by referendum vote, refused to sanction the change in the ratio.

After 1892 "the foundrymen annually lodged complaint against the restriction. They gave no official sanction to the Molders' ratio, and held that each member of the Association was free to employ as large a number of apprentices as in his estimation were required."[6] No strikes occurred over this question in Association foundries, but the Molders locally used their efforts to maintain the ratio at one to eight. At the various conferences the foundrymen emphasized the fact that the average ratio actually obtaining in the stove shops of the country was much higher than eight to one and they repeatedly asked for the establishment of a ratio of four to one. The officers of the union made investigations which, to a great extent, substantiated the employers' claims. They discovered that during strikes many boys had been introduced into foundries and that the trade was being recruited in a very irregular and undesirable way. Consequently they urged upon their membership the advisability of raising the ratio as a means of meeting an existing situation. President Fox, in particular, ex-

[5] Iron Molders' Journal, March, 1892, p. 5.
[6] Frey and Commons, p. 165.

pressed the opinion that if the ratio were increased the union would not be charged with arbitrary determination and that it would have better control over entry to the trade. He pointed out that the "botch" workmen, who were produced by the employment of a large number of boys in struck shops and in non-union shops, were detrimental to the union and that it was unjust to fair employers to penalize them with a low ratio.

In spite of the arguments presented to them the members of the union refused for many years to make any change. Finding that a campaign of education was needed, the officers of the union entered upon it with vigor. Meanwhile the Association patiently waited for results. The 1904 conference proved to be the beginning of the end. The union representatives definitely favored a ratio of one to five, provided it were observed by every member of the Defense Association, and promised another referendum on the question. Soon after the conference a meeting of all the international officers and business agents of the union expressed unanimous approval of the ratio of one to five. By constant presentation of argument the officers were finally able to win over enough of the membership to carry the referendum by the close vote of 11,308 to 9,028.

The favorable vote did not mean amendment of the Molders' constitution. It merely authorized the union's conferees to enter into an agreement with the Association establishing a ratio of one apprentice to every five journeymen, plus one apprentice for each shop. Such an agreement was made in March, 1905. Following a plan adopted in 1900, the agreement also provided that foundrymen might obtain more apprentices than the ratio allowed when journeymen molders were not available in sufficient numbers. To secure a gradual adjustment to the new plan, it was agreed that "the number of apprentices shall be computed upon the journeymen molders, it being understood that when the force of molders is increased, said increase

shall have been in existence not less than eight weeks previous to the employment of additional apprentices." Where shops were observing a ratio higher than one to five, the latter ratio was to be reached "by refraining from placing new apprentices at work, until such time as the present number of apprentices will have been reduced to the proper number." In shops where the existing ratio was less than one to five no journeyman was to "be discharged or laid off for the purpose of supplanting him by an additional apprentice."[7] All these conference resolutions were adopted by the Defense Association in May, 1905, and were put into effect on June 1 of the same year.

Quite different in result were the negotiations with the National Founders' Association. At the conference of October, 1902, representatives of the Founders complained that there were not enough skilled machinery and jobbing molders and that restrictive apprenticeship rules were ill-advised. They asked that the officers of the Association and the union be allowed to adjust disputes over the proper number of apprentices "in an equitable way, based upon the conditions prevailing at the time in the locality in which the dispute occurs." To this measure the Molders' conferees refused assent.[8] A similar resolution was defeated in 1904. The objections raised to the plan were that it practically amounted to the abolition of the ratio, that it involved too much uncertainty and would open up the way, in some cases, for using more boys than molders. When the Founders' Association abrogated the New York agreement later in 1904, all negotiations over apprentices necessarily were dropped.

In 1907 the union established the ratio of one to five for all shops as it was inequitable to burden friendly employers outside the stove branch with a lower ratio than stove foundrymen enjoyed. The Defense Association in 1912 and 1916 unsuccessfully asked for a ratio of one to three.

[7] Iron Molders' Journal, April, 1905, p. 250.
[8] Ibid., November, 1902, p. 941.

In 1912 various resolutions were offered in the union convention for the restoration of the old general ratio of one to eight and for a special ratio of one to twenty on molding-machine work. None of these measures were approved.

It was shown in 1912 that in some shops there was a tendency to put all or a very large part of the apprentices either in the coreroom or on the foundry floor. To prevent overcrowding any one branch of the trade it was voted that local unions "use their best endeavor to effect an equal distribution of apprentices in all branches of the molding trade."[9] While the quota of boys was distinctly stated in the apprenticeship rules, for a long time no method was provided for ascertaining the number of molders upon which the ratio was to be based. The matter was complicated by the fact that foundries did not provide continuous employment the year round for "nearly an equal number of molders." It was claimed that the foundrymen were "taking advantage of the law and putting on as many apprentices as they would be entitled to have if all the floors and benches were full."[10] To correct this abuse the convention of 1886 provided that the ratio was to be "based upon the number of men employed in a shop the preceding year."[11] In 1890, for some unexplained reason, this rule was rescinded. Finally, in 1912, a rule was adopted that "the number of apprentices shall be computed by the number of journeymen employed, it being understood that when the number of journeymen is increased, said increase shall have been in existence not less than eight weeks previous to the employment of any additional apprentices."[12]

According to accounts given by veteran molders the term of apprenticeship in pre-union days varied constantly. One boy in 1805 was apprenticed to a journeyman with whom he served but two years. Still another molder relates that in

[9] Proceedings, 1912, pp. 134, 244.
[10] Iron Molders' Journal, January, 1886, p. 3.
[11] Proceedings, 1886, pp. 51, 57.
[12] Constitution, 1912, art. 9, sec. 1.

1848 he was apprenticed to the trade for six years and thirteen days. With the formation of local unions, a term of four years, then more or less customary in all trades, became the rule. This term was adopted by the general union in 1859 and it has since remained standard. On several occasions unsuccessful attempts have been made to shorten the term. Curtailment of the term has been opposed because the union believes four years to be requisite for mastering the trade and because a shorter period of service would result, like a higher ratio, in turning out too many journeymen.

In the early days of the American molding industry boys were often apprenticed to the trade while still mere children. It was not uncommon in some sections for boys to begin service when only eleven and twelve years old. Boys of a more advanced age, however, were usually preferred. In 1867 the International Union provided that no boy should begin the trade before the age of sixteen, a rule which has been retained down to date. A maximum age for apprentices was also maintained for a few years. In 1870 it was voted to "admit no boy to the trade" after he was twenty years old. In 1882 twenty-one years was made the upper limit for the beginning of an apprenticeship. In 1895 this rule was rescinded and since that time no maximum has been imposed. The object of a maximum limit was to exclude from the trade men considered too old ever to become good mechanics. Within recent years molding machinery has resulted in bringing into foundries many apprentices well advanced in years.

In 1870 President Saffin urged upon all union members the duty of seeing that every apprentice became a good journeyman, although there was at the time "no specific law on the question." A capable journeyman, he said, made a better member, tended less to become a fixture in one shop, and did not fear to look elsewhere for a living. In 1874 it was provided for the first time that apprentices were

not to serve their whole time on "any one piece, pattern or job" but were to be taught all the different work made in the branch at which they were engaged. The indenture system of 1876 was expected to do big things by way of giving boys complete trade knowledge because it made the employer responsible for giving his apprentices thorough instruction. Union members were also required "to assist every legally indentured apprentice in securing a full knowledge of the trade" and to discourage their steady employment on "any pattern, job or piece." When the indenture system proved a failure, the union was compelled to fall back upon its own resources to secure proper apprenticeship training.

In 1892 it was the sense of the annual conference with the Defense Association that "apprentices should be given every opportunity to learn all the details of the trade thoroughly" and that "each apprentice in the last year of his apprenticeship should be given a floor between two journeymen molders," who, "with the foreman, should pay special attention to his mechanical education in all classes of work."[13] The 1903 conference further recommended that as the apprentice's skill improved he should be put on better grades of work and that in his fourth year he should be given some of the very best work on a floor between two journeymen. These provisions remain in force at present. To cover shops not reached by the agreement the union provided in 1902 that each member use his influence to have every recorded apprentice given an opportunity on all kinds of work.

In order to help apprentices acquire a general knowledge of the trade it was provided in 1899 that, "wherever practicable," they should be enabled to take courses in mechanical drawing.[14] Subsequently the Molders in some degree extended their favor to trade schools, although their spokesmen held that such schools would "never be a sub-

[13] Iron Molders' Journal, March, 1892, p. 5.
[14] Proceedings, 1899, p. 188.

stitute for an intelligent, comprehensive apprenticeship system." In 1912 it was provided that local unions should "endeavor to have apprentices take a course in a technical school, in order to obtain as thorough a knowledge of tne trade as possible." This did not mean that the organization was willing to accept technical-school graduates as members, but only that apprentices should be encouraged to supplement their shop work with outside training. In 1899 the Molders condemned the practice of putting an instructor over apprentices. It was declared that the best procedure was to place the boys out through the shop among the journeymen "that they may learn the principles of unionism as well as molding."[15] In spite of all efforts to aid the apprentice in becoming a fully-equipped molder, the editor of the International Molders' Journal in 1913 confessed that the use of various devices and business methods which furthered specialization, plus the practical disappearance of the indenture system, still tended to make the apprentice a "one-job man." In truth, he said, the labor of the apprentice was largely "being secured under false pretenses."[16]

As far as practicable, the Molders have always insisted that an apprentice serve his term with but a single employer, on the theory that the foundryman who uses the apprentice during his earlier, less productive years should also have his services during his later, more productive years. Again, when an apprentice serves his full time in one shop the union can easily see to it that he fulfills its requirements as to years of service, training, competency and so forth. The Molders have never made it a rule to call apprentices out on strike. The relations between employer and apprentice have to a large extent been looked upon as a personal, not to be interrupted by any action of the journeymen. In addition, to involve apprentices in a strike ordinarily has

[15] Ibid., pp. 123, 135.
[16] International Molders' Journal, May, 1913, p. 406.

had no marked effect upon the issue of the dispute. In recent years it has been provided that "the president and executive board, when considering the probable number of men who might become involved in a strike, shall include all apprentices employed in the shop, or shops, affected as entitled to financial support."[17] For the term 1912–1917 a total of $69,363.94 in strike benefits was paid apprentices. To call out apprentices, however, is still the exception and not the rule.

Helpers.—A helper may be defined as a person hired to assist a skilled journeyman under whose supervision he works. He is employed to promote the work of another and he is supervised in his tasks to some extent by the mechanic whom he aids. "On the other hand, an apprentice is one who, by promise, indenture or contract, for a specified time, is taught the trade by a master of the trade or someone in his employ." Helpers are not engaged primarily to learn a trade but rather to supply comparatively unskilled labor. Helpers should also be distinguished from laborers since the latter, though subordinate to other workmen, are in no way responsible to them.

Helpers have been divided by the leading writer on the subject into three classes, remote helpers, helpers proper, and advanced helpers.[18] The first group are little more than laborers since they do not "come into intimate contact with journeymen in the performance of work." In the foundry such persons have been used to cut sand, skim, shake out castings, "stag the ladle," and the like. Helpers proper work along with journeymen and are under their supervision much or all of the time. Such helpers are knows as "berkshires" or "bucks."[19] They actually

[17] Constitution, 1912, Standing Resolution No. 15.

[18] J. H. Ashworth, "The Helper and American Trade Unions," in the Johns Hopkins University Studies in Historical and Political Science, Series XXXIII, No. 3, pp. 9–12.

[19] The term "berkshire" originated in England where it was derived in some way from the name of the county Berkshire. It was used by English molders many years previous to the develop-

handle patterns and do the less skilled part of preparing molds, such as ramming flasks. Advanced helpers are ordinarily helpers proper "in transition to the status of a full mechanic." In short, they may be called "journeymen on probation." Helpers of this kind have had little or no place in the molding industry, except, perhaps, in some unorganized shops.

Prior to the rise of unions during the fifties it was the custom of the trade for every piece-working journeyman to employ from one to five helpers to assist him in handling flasks, preparing the mold and doing other work of a comparatively unskilled character. These men, or boys, as they often were, received their wages, not from the foundryman but from the molder. The primary result of this system, on its productive side, was to leave the expert craftsman free to perform the difficult and technical parts of his work since the low-grade tasks were left to his helpers. Under ideal conditions, too, the wage of the journeyman was subject to increase through the assistance afforded him by cheaper workmen who performed operations requiring little ability. By having helpers assist in "lifting off" and "closing" large flasks the molder was also saved the necessity of aiding a fellow journeyman on work of that character, thereby saving much valuable time. The helper system saved overhead cost to the employer by enabling a single molder to increase his output to such a degree as to make it unnecessary to provide duplicate patterns.

In spite of certain advantages in the helper system, as operated "from time immemorial," one of the first acts of the early unions was to oppose it. The Philadelphia union in 1855 ordered that no member "be allowed a helper for any other purpose than to Make Cores, Skim and turn out Castings" except by special permission of the organization. Should any molder, whether a union man or not, violate the

ment of unionism in the American trade. Its introduction into this country was doubtless due to the immigrant English journeyman of the early part of the nineteenth century.

rule, it became the duty of members "to refuse to work in the Foundry where such journeyman is employed."[20] Provisions much the same were adopted by the Buffalo and Troy unions in 1859. The opposition of the unions was due, in the first place, to the fact that the helper system was a menace to the maintenance of rates. By leaving unskilled work to the helpers a piece worker could greatly increase his earnings. Consequently, each molder became interested in handling all the flasks he could with the aid of perhaps four or five "bucks." This procedure, however, tended to decrease the amount of work open to other journeymen and eventually it resulted in a decline of the piece rate. When the wage dropped, more "bucks" were hired by the anxious molders and thus the evil was aggravated. Secondly, the helper often picked up enough of the trade to qualify for a molder's place in case the latter was absent from work or left the shop. In some instances foundrymen regularly supplanted journeymen with the cheaper helpers as soon as the latter were capable of making one or two patterns. Again, when a helper became disgruntled with the wages paid him by a journeyman, he frequently set up as a molder himself and thus intensified competition within the trade. From the journeyman's point of view, therefore, the helper appeared to menace the wage scales and to threaten a flood of semi-skilled mechanics who had enough specialized capacity to elbow all-around molders out of jobs. His operations also tended to weaken the effectiveness of the apprenticeship system and to endanger the journeymen's "right to the trade."

In opposing the helper system the Molders have directed their efforts towards two ends, (1) "the abolition of the prevailing system of hiring and paying helpers, and (2) the abolition of all helpers proper and the establishment of a definite line between the work of molders and that of remote helpers." These two purposes have been pursued together

[20] Journeymen Stove and Hollow-ware Moulders' Union of Philadelphia, Constitution and By-Laws, 1855, art. 6, sec. 5.

although the first has been "deemed necessary to the accomplishment of the second, which was the real consideration."[21] Accordingly, while the abuses of the employment system have been sharply attacked, the union has had as its ultimate object the retention of the trade primarily for craftsmen who have served an apprenticeship.

Action against helpers was first taken by the general union in 1860. It was then unanimously adopted in convention "that we as a body emphatically discountenance the Helper or Bucksheer system and that it be abolished as soon as practicable."[22] Attempts were made by several local unions during the sixties and seventies to prevent the use of helpers, but these efforts were not generally successful. Actual prohibition of the employment of helpers did not come until 1873, when President Saffin decided that no piece worker could work a helper who assisted him in actual molding, whether the helper was paid by himself or by the foundryman. All members, however, were allowed to employ "persons" to "skim, shake out and cut sand, but for no other purposes." It was also decided that "any employer demanding of members that they shall . . . work 'Bucks' . . . shall constitute a lockout."[23] With the approval of these rulings by the 1874 convention the international union specifically sanctioned the employment of helpers for only a few purposes and their payment by the journeymen. Since some kinds of molding involved work too heavy for one man to handle, permission was soon sought to use helpers on jobs of this character as an exception to the general rule. In 1882 President Fitzpatrick yielded to the importunities of piece-working car-wheel molders and allowed them to use helpers paid by the foundrymen. Appeal from this decision was taken by other piece-working members engaged upon large castings on the ground that

[21] Ashworth, pp. 67–68. The opposition of journeymen molders to the helper system has generally been seconded by apprentices.
[22] Proceedings, 1860, p. 9.
[23] Ibid., 1874, pp. 21, 24.

discrimination had been shown, but the ruling was upheld in convention and no further concessions were made.

How persistently the "berkshire" system held on can be seen from the numerous cases of discipline for "running bucks" reported during the nineties by the stronger local unions. However, by constant pounding, the union proved able gradually to overcome the insistence of employers and the greed of individual molders. Finally, in 1899, after the union had almost stopped the payment of helpers proper by journeymen and their employment at molding processes, it felt strong enough to proclaim that members should cease paying for the services of helpers used to skim, cut sand and shake out.

The next step was to approach the Stove Founders' National Defense Association in favor of an agreement whereby helpers, or "berkshires," were to be barred from all association shops. In many such plants foundrymen had already relinquished the employment of helpers and the union felt that a clean sweep could be made provided the Association would urge the remaining concerns to pursue the same course. When the resolution for such a vote was first proposed by President Fox, the Defense Association agreed thereto, provided the union would sanction a higher apprentice ratio than the prevailing ratio of one to eight.[24] No agreement was reached, but each group offered to test the sentiment of its membership upon the points involved. When President Fox explained the situation to the 1899 convention, it would have nothing to do with a higher ratio although it instructed the conference committee to get rid of the disliked "bucks." In 1900 the question was again taken up in conference. Once more the Association made a liberalization of the apprentice ratio the price for its agreement to the total prohibition of "bucks." After a "mutual understanding" had been reached in 1902 that the few stove manufacturers still employing "bucks"

[24] Iron Molders' Journal, April, 1899, p. 162.

should discontinue the practice, the matter was completely settled in 1904, when the union consented to a ratio of one apprentice to each five journeymen.

The use of "unskilled help" on "sand cutting and work of like character" was fully agreed to by the union representatives at the 1902 conference with the Defense Association in conformity with the organization's tolerance for the use of helpers of this class. Nothing was said in the agreement, however, about the hiring or payment of these persons. As a matter of practice, quite contrary to the union's rule of 1899, helpers of this description were usually employed and paid by the journeymen in all of the important stove foundries. Consequently, the arrangement was continued in most places. In 1912 the convention declared once more that all laboring work should be paid for by foundrymen and urged that an effort be made to secure an agreement with the Defense Association in harmony with this position. Until such an understanding could be reached, no member was to employ any helper under sixteen years of age. Yet in recognition of the union's inability to prohibit the payment of helpers by piece workers, the rules of 1899 and previous years were dropped and in their place was adopted the recommendation "that the incoming officers do all in their power to discourage the system of helpers by any member working under the piecework system."[25] In most stove shops today, however, the molders either pay helpers to cut sand and to do the other unskilled work or else, if the helpers are paid by the foundrymen, the molders accept a discount on their piece rates to compensate the employers.

At present in car-wheel shops and other establishments where large castings are made the helper proper has practically replaced the apprentice, although as a rule he does not finish molds. He does, however, prepare the chill, insert the pattern, ram the flask, and assist in pouring off.

[25] Proceedings, 1912, p. 248.

Generally speaking, it can be said that "in shops where small castings are made, the work of the helper is so remote from that of the molder that helpers have little opportunity to learn the more skilled processes of molding. In such cases the apprentice system prevails." In plants making large castings, however, if a considerable variety of work is turned out, helpers have an opportunity to be promoted to the position of molders and are so advanced if they show special aptitude. Thus, while the journeymen have been able to restrict the helper in a large degree to work requiring little skill, they have not found it feasible to "clear the boards."[26] Nor, indeed, as shown above, have they been able to compel employers to pay all helpers.

[26] Ashworth, p. 71.

CHAPTER XIII

Molding Machinery

As early as 1860 English, Scotch, French and American inventors interested themselves in experiments with mechanical sand-rammers. For the most part their efforts suffered from being too ambitious and no practical results were achieved. The first attempted use of molding machinery in America appears to have occurred in 1866 when the molders of Troy were confronted with a machine which had been set up in a local shop to offset a strike. The promoters of the device, which was known as the "Yankee Molder," claimed at first that it could "do the work of ten men." For a brief period it was "held as a rod of terror over the men until its merits were tested." In spite of "almost superhuman efforts," the machine proved a "miserable failure" and was "sent off to other regions."[1] Yet the progress of mechanical research went on. As soon as attention was given to the perfection of one step at a time, devices were discovered which paved the way for really workable machines.

Probably the most elementary molding machine was the sand-match which relieved the necessity of making a parting by hand. It is extensively used today and is supplemented on large work by the follow-board. Succeeding these instruments came the match-plate, the stripping-plate and the stripping-plate machine. All of these devices were hand-ramming machines, and while they assisted in drawing the pattern and prevented waste in patching, they in no way relieved the manual labor of ramming and handling the sand.[2] While hand-ramming machines were being perfected the power rammer was also being gradually devel-

[1] International Journal, June, 1866, p. 89.
[2] J. C. Mills, Searchlights on Some American Industries, p. 213.

oped. "The first machines of this kind used extensively in this country were the hand squeezers, through which power was transmitted by levers or toggles to press the sand to the required hardness. They materially assisted the molder in ramming and were generally employed in connection with the sand-match or match-plate." Patterns still had to be drawn by hand, however. From one account the first squeezer was invented by J. P. Broadmeadow of Bridgeport, Connecticut, about 1875. By 1886 inventors had produced squeezers which were operated by mechanical power. The squeezer, which has always been used for handling comparatively small patterns, was followed by pneumatic, hydraulic, or steam presses capable of ramming large pieces. Jarring machines, in combination with pattern-drawing and pressure-ramming devices, were next developed. The latest and most complete invention has been the automatic molding machine which is "neither a mere ramming device nor a mere pattern-drawing machine, although it performs both these important functions in a perfect manner. Under the control of a single operator it performs all the work necessary to complete a perfect mold in the shortest possible time." Some of the machines used today "will take flasks up to seven or eight feet in diameter, and in the square type, up to eight feet width or fourteen feet in length."[3] While the heavier machines have been introduced to a considerable extent, the squeezer has found the greatest favor because there are more small than large castings to be made and because it is generally agreed that molding machines operate best on small patterns. It is impossible to estimate the number of machines of different types now in operation.

There has been considerable discussion as to how far molding machinery excels hand processes in speed and efficiency. In 1908 a committee reported to the Stove Founders' National Defense Association that while the

[3] Ibid., pp. 208, 224–227.

output of any machine would vary with the type of machine, the size, weight, and style of patterns and pattern rigging, the molding costs on stoves made with the use of machines varied from thirty to fifty per cent below the costs of hand molding. It was acknowledged, however, that to this general statement many notable exceptions could be found since in some cases of bench molding the reduction would amount to little more than twenty per cent, while in other instances the reduction would reach about sixty-six per cent of the floor or bench prices for hand molding. The committee also admitted that there were certain items of cost that tended to offset the economy of machine molding. Such factors were the cost of extra help for handling iron, flasks and sand, the cost of making changes in patterns, and the depreciation of and repairs to machinery. The committee did not consider such items of great importance.[4] It is interesting to observe, however, that officers of the union believe that the off-setting costs are generally greater than foundrymen or machine makers are willing to acknowledge. Whatever the exact figures on cost may be, we can be sure of one thing, that molding machinery, properly employed, effects a saving; otherwise such machinery would never have achieved its present degree of popularity.

The first important efforts to introduce the use of molding machines in America took place in the eighties. Generally speaking, union men then maintained that molding machines had been, and would continue to be, failures. For example, it was pointed out that when the McCormick Harvesting Machine Company endeavored to defeat a strike in 1885 by the use of eighteen machines, it found them unworkable. In 1889 it was said that there were hundreds of squeezers "lying around useless, except as they may be used as benches in a large number of the malleable and hardware shops of the country, and employers who have long since

[4] Report of Committee on Machinery, p. 12.

proved their uselessness would be glad to dispose of them at any price."[5] With the leaders of the union, however, the possibilities of molding machinery were not so lightly put aside. In 1880 an editorial statement in the official union journal held that although machines had "so far been failures in one and the most important point, that of cost," yet there could "be no reasonable doubt" that in time they would "be made successful for certain kinds of work, both as regards speed and cost."[6] From the very first the officers realized that the machine was coming and that no action of theirs could stop it. During the last half of the nineties foundrymen began to make more use of machinery. It became increasingly evident that on bench work, where the same piece was made over and over again, the squeezer was obtaining fair success. Jolting and jarring machines for larger work were also finding place in many establishments. The editor of the official journal of the union became more and more apprehensive over the inroads of labor-saving devices. In 1896 he claimed that, although machinery had come into the foundry as well as into other industrial establishments, "it would seem, however, that in some branches of our trade, unless a machine can be devised which is provided with reasoning power, human effort guided by human intelligence must always be employed."[7] One year later the editor admitted that the trade was by no means "proof against the genius of the inventor" even though many molding machines had been "signal failures."[8] At about the same time he noted that the McCormick and Deering harvesting machinery plants had successfully employed unskilled men on certain types of machines.

In general, union molders at first "ignored the machine.

[5] Iron Molders' Journal, November, 1889, p. 3.
[6] Ibid., January, 1880, p. 13.
[7] Ibid., February, 1896, p. 65. A similar notion was held by many printers prior to the introduction of the linotype. President Sylvis also said in 1866 that molders need never fear machinery, because it would take "*a thinking machine* to make castings."
[8] Ibid., May, 1897, p. 221.

They refused to work on it. They made no effort, except in rare instances, to exclude it and did not attempt to regulate its introduction to any extent."[9] Its operation was mostly carried on with apprentices and unskilled workmen. As time went on the attitude of the journeymen changed and they agreed to operate the machine so long as there was union control of piece prices, etc. They generally made no effort, however, to bring out the best qualities of the various devices but evidently endeavored to make them as unprofitable as possible with a view to restricting their increase.

In 1897 the editorial columns of the official journal of the union began to advocate a liberal machine policy. The following statement is typical: "The experience of other trades and our own experience in the matter of labor-saving devices point conclusively to the ultimate triumph of invention. . . . It is the height of folly to attempt to prohibit or even to oppose the introduction of labor-saving machinery. All efforts in that direction are doomed to ignominious failure. . . . As a trade organization, we would not be justified in assuming a position of antagonism . . . , but, profiting by the example of the printers, should seek in every way to control its operation."[10] From the same source came the statement that already machinery had thrown additional work to journeymen, either directly or indirectly. A cheapened cost of production, it was pointed out, had led to an increased demand for iron manufactures and thus had "served to offset to a considerable extent the displacement that would otherwise have occurred."[11] Taking the above quotations as a whole, it would be difficult to find a more correct analysis of the economics of machinery anywhere else in the annals of trade unionism.

At the 1899 convention President Fox advocated the adoption of a policy which would recognize the facts as

[9] E. T. Cheetham, "The Molding Machine," Johns Hopkins University Circular, April, 1907, p. 37.
[10] Iron Molders' Journal, May, 1897, p. 222.
[11] Ibid., July, 1898, p. 330.

they were. He urged that all members agree to work machines with the intention of bringing out their full capacity, provided satisfactory agreements as to wages could be made. The organization then would be in a position where it could hope to control the machine and prevent the trade from sinking to the level of unskilled labor. If union men did not drop their "old-time prejudices" and endeavor to control the machine, Fox warned that in time the machine would control them.[12] The convention yielded to the president's advice and voted to make it the policy of the union to establish jurisdiction over the molding machine operator, to advise and instruct members "to accept jobs upon any molding machine when the opportunity is afforded, and to endeavor to bring out their best possibilities," and to bring the question of machine operation and control before the various foundrymen or foundrymen's associations.[13]

The Iron Molders' Journal at once hailed the adoption of the resolution as "the beginning of a new era" in the history of the organization which was now placed "in the front rank of progressive trade unionism." It was, of course, true that the liberals had won a victory over the conservatives. Yet the realization of the union's ambitions were far from being achieved by the mere announcement of a policy. Would the comparatively unskilled machine operators join the union which had extended its jurisdiction over them? Would union journeymen work on machines at all and, if so, would they try to produce a normal output? Would employers give journeymen jobs on machines? What wage scales should be adopted for machine work? These were the main questions which now perplexed the union in its search for a solution of the machine problem.

Although the executive board was authorized to proceed as rapidly as possible with the organizing of machine operators, it was not until April, 1901, when two local unions in Indianapolis led the way in announcing their desire to organ-

[12] Proceedings, 1899, p. 11.
[13] Constitution, 1899, Standing Resolution No. 38.

ize the machine operators in their jurisdictions, that permission for the formation of an operators' local union was secured. The 1902 convention felt the need for action and instructed the incoming officers to organize, wherever possible, "all competent machine operators, radiator molders, and all other classified specialist molders, granting them a separate charter, or affiliating them with locals already in existence, as circumstances may dictate."[14] As in 1899, the affiliation of the machine operator was regarded as a part of the general problem produced by the specialization of the trade however occasioned.

In 1907 President Valentine reported that only 273 operators had been taken into membership. In 1912 the figures were not given, but it was stated that the union had been successful in "organizing a number" of men within the specialty. At present the union refuses to state how many operators belong to it.

When machine operators were first admitted at Indianapolis they were required to have served an apprenticeship at their branch of two years, although the constitution of the union required four years' apprenticeship or actual work at the trade as a prerequisite for admission. The executive board was compelled in 1903 to rule that the four-year term must be applied to all branches of the trade, to machine operators as well as to others. Considerable protest was aroused by the decision since it was evident that efficient operators could be trained in much less time than four years. The policy remained unchanged, however, until 1906 when the executive board decided that where competent operators had not served a full four years they were to be granted a due book containing a certificate of membership giving them the right to accept jobs on machines under the jurisdiction of any local union. They were not entitled to do work on the floor or bench unless they had fulfilled the four-year apprenticeship. In later years

[14] Proceedings, 1902, p. 760.

it was decided to substitute for the due book a "machine molder's card," stating the time the bearer had worked on a machine. In many shops where machine molders have been employed few, if any, apprentices have been recognized. In such places since 1906 special union cards have been granted operators who have had less than four years' experience and ordinary cards have been given those who have had that experience. In 1912 a rule was made for stove shops which observed the regular apprentice ratio of the union, namely, one boy to five journeymen. It was now provided that machine molders who had not served their four-years time would not be allowed to work in these shops unless there was a vacancy in the number of apprentices. In other words, operators under these circumstances were to be considered as apprentices and could not be granted a card of any sort until their time was up. The purpose of this regulation, it would seem, was simply to restrict the use of machine men.

Quite naturally, journeymen molders did not eagerly compete for the opportunity of operating machines just as soon as the union adopted its policy of toleration. Their prejudices were too deep seated for that. Yet very soon after a union molder had declared in 1899 that "the most contemptible act a true union man could do was to manipulate a molding machine," a Philadelphia local union reported that its members were at work on squeezers.[15] After considerable urging from the international office other localities conformed. On the manufacturers' part no haste was evinced in welcoming journeymen to the task of machine operation. The former seemed fairly well satisfied with the laborers they had broken in and expressed the fear that union molders, especially, would endeavor to hamper the output of machines if they were employed thereon. Foundrymen sensed the machine as a means whereby they might escape union "dictation," and they were by no means anxious to restore the old situation.

[15] Iron Molders' Journal, August, 1899, p. 413; September, p. 462.

In order to secure the machine for its own the union resorted both to peaceful and to forcible persuasion. Its spokesmen argued that a skilled molder could handle a machine better than a green laborer. The latter might do well enough at pulling the levers on a squeezer, but when it came to finishing the flask the molder had the decided advantage. On all rough work, in fact, the "Castle-Garden man" might have the advantage owing purely to superior physical strength, but the finer work, it was held, required the touch and skill of a molder. The union also argued that its members stood "pledged to bring out the best possibilities of molding machines" and did not seek to get control so as to "limit the output or injure the reputation of the machine." Control was sought because it was the "interest of the individual molder and part of the work of his organization to retain for him some of the benefits accruing from the introduction of labor-saving machinery in the foundry." "Justice to the machine and the man" was advocated, it was claimed.[16] As the foundrymen in most instances appeared unaffected by the union's philosophy, sterner means had to be employed before actual headway was made in the campaign. Strikes were called in some shops where sufficient floor or bench work remained to make the journeymen a factor to be reckoned with.

Since a large number of foundrymen belonged to the National Founders' Association, with which the union had a conciliation agreement, it soon seemed wise to have the whole question settled in conference as far as the Founders' shops were concerned.[17] In June, 1900, representatives of the union met with the administrative council of the Association in a conference at which the machine question was taken up. The Association asserted that since the molding machine was a product of the machine shop and not of the

[16] Ibid., November, 1899, p. 583.

[17] By 1900 nearly ten per cent of the total molding force employed by the National Founders' Association were machine operators. See below, p. 200.

foundry, it did not fall under the "jurisdiction" of the molders and that since the employer had produced it at his own expense, he should have the right to operate it "in whatever manner he may elect," as with his power plant, cranes and other equipment. In reply the union proposed that as the machine was "but an improved tool designed to cheapen and increase the product of the molder and represents both additional capital invested by the foundryman in his business and a different method of applying and utilizing the capital of the molder, we recognize that each is mutually interested in the manner of its operation." In an amendment then offered by the Association to the union's resolution it was conceded that the machine was but an "improved tool," yet it was insisted that the employer should have the right to "operate in whatever manner he may elect." The conference deadlocked on all propositions so that no agreement was reached.[18]

At the conclusion of a prolonged strike in Cleveland the union was able to obtain satisfaction in part of its claims in a local agreement reached with Association members. Section 8 of the agreement read: "The right of the foundryman to introduce or operate molding machines in his foundry shall not be questioned. In determining who shall operate them, regard shall be given to how their best possibilities can be brought out, and how the work can be most economically produced."[19] While the agreement did not state definitely that molders were to be used on machines, it did not, on the other hand, put up the bars against them. Vagueness upon this point was due partly to the absence of a national understanding and partly to a desire to leave the local situation open to developments. In other localities individual employers, like the General Electric Company, refused to displace laborers in favor of molders until a national agreement had been reached. It availed little in these cases

[18] Iron Molders' Journal, July, 1900, pp. 385, 387.
[19] Ibid., March, 1901, pp. 134, 136.

to point out instances where the union's international officers had compelled local unions to renounce restrictions on machine output or where investigation showed that molders could operate "at such a piece-work price as to bring the total cost of the work done by the machine down to a figure comparing very favorably with the best figures obtained on the same machine by unskilled labor."[20] The best the union's leaders could do under the circumstances was to urge the membership to accept every opportunity for machine operation with the intention of convincing foundrymen that molders could be trusted to bring out "the best possibilities" of the different devices.

At the fifth annual convention of the National Founders' Association held in 1901 strong sentiment was expressed, not only in favor of the machine as a paying device, but also in advocacy of the use of laborers as operators. Only a few of the delegates seemed to believe that laborers were inferior to molders on machine work. Consequently, it is not surprising that an informal conference between the contending parties in April, 1902, proved unproductive of results. On this occasion the union took the ground that the manufacturers were unfair in rejecting the molder operator before he had been tested. Complaint was also registered against employing laborers on "simple sucking devices used for drawing patterns on the bench" on the ground that they were "machines." On real machines, it was claimed, the operator was a specialist molder, skilled in the use of tools, and not a mere "handy-man." In reply the employers affirmed that the machine eliminated all skill and, therefore, it would be absurd to put a molder on it in every instance. Yet the Association said it had not determined to refuse employment to molders as operators, but had left each member to decide his own policy. It was admitted that it had been found profitable to employ molders on some machines. If the union would agree to a differential in wages for all

[20] Ibid., November, 1900, p. 656.

molder operators, many more might find places. A similar result would ensue if journeymen would give up all attempts to restrict output. In its final reply the union admitted that machine operators might properly be subject to a different wage classification than the skilled molders, yet it held that "it was absurd to class them as laborers and unfair to grade their earning power upon that basis."[21]

With the conference of October, 1902, it became evident that the Association was on the way toward dissolving friendly relations with the union. The Association positively refused to discuss the revision of the New York Agreement or adoption of a shorter workday, the two things upon which the union then lay the most stress, until the machine question and several other important issues were settled to its satisfaction. At the following convention of the Association in November the machine difficulty was made the subject of a "very drastic resolution" which held it to be "the absolute right of any member of this Association to operate a molding machine, or any mechanical device to further molding, in such manner as best serves his interest," and which pledged the strength and resources of the Association to the support of a member making such use of a molding machine."[22] In 1903 and again in 1904 the Association, as a part of a comprehensive program, asked for the adoption of an agreement which would absolutely nullify the union's claims concerning the machine. All parts of the proposed plan were equally objectionable to the latter organization so that no headway was made in reaching any kind of a settlement at these conferences. After the 1904 meeting the Association abrogated the New York Agreement and the union lost all hope of the adjustment of the machine problem in machinery and jobbing plants through agreements with the organized foundrymen.

The machine question was also taken up with the Stove Founders' National Defense Association. The conference

[21] Ibid., May, 1902, p. 287.
[22] Ibid., December, 1902, p. 1036.

of March, 1905, recognized "the desirability of introducing new methods and machines in stove foundries, also that such processes are entitled to consideration on fixing prices and wages."[23] The vagueness of this treatment of the question left no real issue settled. In 1907 one such issue came up when the Association asked that its members be granted the right to operate machines by unskilled labor. A sub-committee, to which the resolution was referred, reached some "mutual understanding" which was not transmitted to the public, but the conference itself took no action. Whatever this settlement was, its terms certainly did not go far toward favoring the common laborer since journeymen molders thereafter continued to serve as operators in increasing numbers. In 1908, 1909, 1910, and 1912 the Defense Association again asked that machines in members' shops "be operated in any manner the manufacturer may desire." The employers contended that the molders had shown such antipathy to machines that they did not operate them to their full capacity and that common labor provided superior operators. The union representatives feared that the adoption of the proposal would mean the exclusive employment of laborers on machines, and they refused to agree to it.

Since piece work prevailed almost entirely in the stove branch, it seemed wise to both parties to the conference agreement to apply the system to machine output. The only serious question was that of proper rates. This problem the 1908 conference endeavored to solve by establishing a basic rate of $4.00 net per day. What the normal output of a certain piece should be was to be determined by the work of an expert operator furnished by the employer. The number of good castings made by a test run of one day was then to be used as a divisor of the basic wage and the result of the division was to be the piece price. By a "machine" was meant "primarily the simple squeezer, when

[23] Ibid., April, 1905, p. 251.

match plates are used, considering this the lowest type of machine."[24] Inasmuch as this arrangement did not afford an opportunity for equalizing machine prices in different shops in 1912, a committee of three from each side was appointed to "investigate the molding machine and improved methods of molding for the purpose of arriving at a fair and just method of pricing the work."[25] No agreement was reached, however, until 1914, when the original $4.00 basis was given up and it was decided to price all machine work by comparison with the rates prevailing at Taunton, Massachusetts.

Taunton prices were chosen because the Weir Stove Works of that city had been operating its molding machines with non-union laborers for about four years and it had carefully preserved records of their output. During the same period the earnings of hand molders on much the same class of work as that put up by the machines were also kept on file. Previous to the 1914 conference the Weir Company decided to run its machines with union members. Accordingly, the general manager and a vice-president of the union proceeded to spend considerable time in adjusting new prices for work made on the machines. The principle which they applied in determining the piece rates for machine molders was that the prices should be such that a molder's total earnings would not be reduced because he happened to be placed upon a machine. For example, if a hand molder's weekly earnings averaged $25 per week and his output was 500 molds, the rates for the machine were so set that he could still earn $25 weekly on the average, even though he might be compelled to put up 750 to 1,000 molds. The machine rates were set for a molder working at normal speed. According to this plan the firm obtained a lower price per piece, but the molders were enabled to secure as high earnings by machine work as they had previously been making by hand work. In other words,

[24] International Molders' Journal, January, 1909, p. 13.
[25] Ibid., January, 1913, pp. 26, 28.

the molders were saved from having their earnings cut to the level of unskilled labor.

In conclusion we may consider how far machine introduction has affected the strength of the union. It is of interest in this connection to quote from a writer who has given detailed attention to this aspect of the subject. In closing her discussion of the diverging policies of the union and the National Founders' Association, Miss Stecker says:[26]

> The following table, based on figures furnished by the secretary of the National Founders' Association, shows the per cent machine operators were of the total molding force in foundries of Association members at different periods:
>
> 1900..... 9.4 per cent
> 1905.....14.4 per cent
> 1910.....19.4 per cent
> 1913.....22.8 per cent
>
> In the same time, skilled bench and floor molders changed in relative importance to the total molding force as follows, constituting in
>
> 1900.....75.7 per cent
> 1905.....63.0 per cent
> 1910.....54.3 per cent
> 1913.....51.8 per cent
>
> Comparing these two groups, it appears that while molding machine operators have increased considerably in importance in proportion to the total molding force in Association foundries, skilled mechanics have been displaced at a more than proportionate rate. It thus would seem that machine operators alone cannot be charged with having driven journeymen from their accustomed trade. Of nearly as great importance in bringing this about has been the increase in numbers of unskilled specialty molders. Data available do not permit of distinguishing this class of labor from apprentices in 1900, but the increase even from 1905 to 1913 is significant.
>
> Per cent specialty molders were of the total molding force:
>
> 1905..... 9.5 per cent
> 1910.....15.0 per cent
> 1913.....15.6 per cent
>
> These figures, taken in connection with the preceding groups, must not, however, be used as conclusive evidence that unskilled workmen are usurping the places of journeymen in the foundries of

[26] Stecker, "The Founders, the Molders, and the Molding Machine," in the Quarterly Journal of Economics, February, 1918, pp. 305–308.

members of the National Founders' Association, because of the fact that there is no way of measuring to how great an extent the class of foundries making up the membership of that body has changed, so as to offer a wider opportunity for the employment of laborers. Nevertheless, from the facts available it seems likely that while skilled mechanics continue to occupy an important position in Association foundries, their place is gradually being taken by inferior craftsmen.

How this tendency compares with conditions generally cannot be stated. In 1910 the National Founders' Association employed 13.4 per cent of all those in the country who worked at the trade of molding. Eighty-five per cent of its members run open shops. It is therefore possible that among those foundries where union influence has had more weight, skilled journeymen are of relatively greater importance than in the shops of the Association. Certainly up to 1908, the Union had succeeded admirably in controlling the machine situation in the shops of the Stove Founders' National Defense Association, and as these two latter bodies never came to an agreement as to the pricing of work done on the machines until 1914, it is quite likely there has been but little change up to the present time.

The Union itself offers no data as to the relative importance within its membership of skilled mechanics, specialty molders and machine operators. Nor is there any satisfactory means of estimating the probable composition of its membership at the present time as compared with twenty years ago. It seems very probable, however, on the basis of known facts, that even though the numbers over a given period are substantially identical, a smaller and smaller proportion are skilled men.

This much is true: molding machines have made serious inroads upon the molders' trade; the employers of the country have come to realize the value of machines and are using them in ever increasing quantities; the Molders' Union has been obliged to alter its policy at a number of points to allow for the changed conditions. On the other hand, it is not true that machines have made human skill unnecessary for foundry work. There is still a great demand for trained men. Even with specialization and machine molding, experts are required to set cores, finish and close molds, and perform other similar operations demanding the application of technique and judgment. Some types of molding are as yet entirely unadapted to the machine.

According to the leaders of the union the machine has had little or no effect toward weakening their organization. On the other hand, they do not represent it as having had a strengthening influence. They recognize the fact that in some specialty shops, like the Ford Motor Company, practically all the molding is done on machines by non-union men and that it will be difficult for the union to make much headway in such places. In a majority of the country's foundries a considerable amount of hand molding still

obtains. According to figures just quoted, even in the shops of the National Founders' Association hand molders outnumber machine molders. By making steady gains in the membership of floor molders the union has been able to maintain a large degree of control over the majority of foundries under its jurisdiction. During the past ten years, especially, the union has been able to increase materially the wages of its members, whether floor, bench or machine hands. These advances have been gained in all sorts of shops, embracing stove, machinery and jobbing, bench, and brass-molding establishments.

The last action to be taken by the union upon the machine question came at the 1912 convention. The rule was then adopted that, as "handymen" operators were a means of throwing molders out of employment, in the future all molding machines must be operated by members of the union or apprentices. It was further provided that no member be permitted to teach anyone, save another member, how to run a machine, on pain of expulsion, and that no honorary member be allowed to act as a foreman over machines unless they were served by union members. In recent years the union has been conservative about adopting policies and rules which are at all difficult to carry out. It would appear, therefore, that the union today is confident of its ability to control the machine.

CHAPTER XIV

The Closed Shop, the Label and the Boycott

The Closed Shop.—Insufficient data prevents a full statement of the attitude of the early local unions toward non-members. Judging from other trades, such as the printers, we may assume that union molders from the outset objected, in a greater or less degree, to working with non-unionists. In particular there was opposition to the "rat" or "scab" who deliberately violated union rules. One early form of scabbing consisted of working below the standard wage rate. In 1855 the Philadelphia union provided that if any member worked for less than the piece or day prices, it should be the duty of every other member "to refuse to work in the shop, if required to do so by the Executive Committee, while such journeyman is employed at a reduced price." This rule, however, only applied to shops "represented" in the union by an executive or shop committee, or shops over which the organization exercised some control. When a member went to work in an "unrepresented" shop he was given a card exempting him "from the payment of Dues and the Laws in regard to prices and all other regulations of the Union that may not be applicable to such a case." Upon his return to a "represented" foundry, the member was required to deposit the exemption card and he once more became "subject to all the laws and regulations" of the union.[1]

Other steps in the evolution of the closed-shop rule cannot be traced. However, when the general union was formed in 1859 it had become an accepted principle that

[1] Journeymen Stove and Hollow-ware Moulders' Union of Philadelphia, Constitution and By-Laws, 1855, art. 2, sec. 4; art. 6, sec. 1. Another rule of the union required a pledge from each initiate that he would procure employment for a fellow member "in preference to any other person" (By-Laws, art. 4).

non-members should be excluded, as far as possible, from working with unionists. For example, on April 18, 1860, the Troy local union resolved "to make it as uncomfortable . . . as possible" for an expelled member and on June 2, 1864, it was voted that members working in "Watson's Shop" should cease work because one of the shop's crew had refused to join the union. On July 2, 1864, members were forbidden to work with a rejected applicant for admission and on September 8 members in good standing were instructed to stop working with other members who refused to pay a strike assessment levied by the International Union.[2]

Local unions for several years had a free hand in scabbing both journeymen and employers who had violated union rules. There were many cases of expulsion for working in struck shops and for refusing to pay dues and assessments. Expelled members, strike breakers, and price-cutting non-unionists were all labeled scabs and were strictly barred from union shops. Local union No. 8 of Albany voted in 1865 to exclude permanently any person who went to work in the scabbed shop of one Ransom as long as the proprietor refused to run a union establishment. Other instances can be found where stringent resolutions were adopted against ordinary non-members. For example, local union No. 18 of Louisville voted in 1866 that after July 5, 1867, no member "be allowed to work in any foundry" under its jurisdiction "where there is any person employed at molding who is not a member." Non-unionists "were respectfully petitioned to join on or before the fifth day of July, 1867, or be forever thereafter deprived of such privilege."[3]

While some local unions were severe in their attitude toward non-unionists in general and scabs in particular, it was not possible for others to pursue a policy of rigid con-

[2] Troy Local Union, Minutes, MS.
[3] International Journal, December, 1866, p. 256.

trol over employment. Accordingly, when the international union was first asked to make a general rule that "after a certain date no member should be allowed to work in any scab shop," action on the measure was indefinitely postponed. Again, in 1867 it was voted bad policy "for union men to quit work on account of non-union men working in the same shop."[4] But while it favored conciliatory measures in lieu of hasty action against non-members, the 1867 convention voted that each subordinate union should require union cards from all strange journeymen obtaining employment under its jurisdiction. Where an applicant for work had never had an opportunity to become a unionist, he was to be admitted to the shop, provided he expressed a desire to attain membership at the next meeting of the union "and provided further, that members . . . in good standing . . . always have the preference" in filling vacant floors.[5] From this time onward monthly reports from local unions frequently contained the brief warning, "No card, no work." The injunction applied both to non-unionists and to union members traveling without cards. In 1874 the rule of 1867 was supplemented by a provision which ordered local unions to refuse consent to "members going to work in scab or non-union shops unless they have positive hopes of recovering such shops."[6] There never has been a time, however, when the union has had a hard and fast rule forbidding its members to work beside non-members. In many cases it has proved impracticable to attempt closed-shop enforcement. In other instances non-members have been easily excluded from employment. Every local union has understood that while open shops are to be abolished when possible, ill-advised strikes against non-unionists are not to be called. In view of these considerations, it has not been deemed necessary for international union to set up a rigid standard. In all cases a policy of expediency has been followed.

[4] Proceedings, 1866, p. 28; 1867, p. 53.
[5] Constitution, 1867, art. 11, sec. 5.
[6] Proceedings, 1874, p. 71.

Between 1860 and 1870 the Molders pursued the closed-shop policy with greater vigor than any other union. In 1863 the activity of the organization resulted in calling forth a protest from the Iron Founders' and Machine Builders' Association of the Falls of the Ohio, which declared in an address to the trade that discrimination against non-unionists meant "arbitrary interference with the business management" of employers.[7] From this time onward many foundrymen, singly or collectively, began to manifest determined opposition to union control. Thus, in 1881 three Quincy, Illinois, employers complained against the rule of local union No. 44 "that no molder shall be employed who is not satisfactory to those already employed" and declared their intention to employ such labor as "appears to be to our best interests."[8] In still other instances employers precipitated strikes by trying to force union members to sign contracts to give up membership in the organization.

When the first joint conference with the Stove Founders' National Defense Association was held in 1891, many association members were operating unorganized shops. The conference at once decided that completely non-union establishments should not come under its jurisdiction. After some discussion it was also agreed that open shops should be subject to the agreements only where a majority of the molders employed were union men. Finally, however, it was provided in 1898 that even in open shops where union men were in a minority the organized molders might submit a difficulty between themselves and their employer to the presidents of the two associations, or to their representatives, whenever the dispute could not be settled locally in an amicable fashion. This ruling resulted in bringing practically all stove foundries under the agreement, and in encouraging non-members to join the union

[7] Stockton, "The Closed Shop in American Trade Unions," Johns Hopkins Studies in Historical and Political Science, Series XXIX, 1911, pp. 36–37.

[8] Iron Molders' Journal, April, 1881, p. 6.

so that their grievances might be heard. At the conventions of 1895 and 1899 certain delegates strongly urged that action be taken against open shops by "demanding from the proprietors who are members of the Defense Association, recognition of the Union" and that forthcoming joint conferences be impressed with "the absolute necessity of having all stove shops where our members are employed made union shops."[9] These ideas met with approval and at the 1900 conference the Molders' representatives proposed that all members of the Defense Association recognize union rules and regulations as binding upon their foundries. Two chief arguments were advanced in favor of universal recognition. It was asserted that since all but ten or twelve association members were running "practically union shops," it would not be a radical measure to require complete recognition. It was also urged that a compulsory union shop would tend to place all foundrymen upon "an equitable basis."[10] Strong opposition to the proposal was manifested by the Association, and the plan failed of adoption. Seven years later the foundrymen submitted a counter resolution to the effect than no molders or coremaker be refused employment in or be discharged from any foundry covered by the joint agreements because of membership or non-membership in the union. A sub-committee appointed to consider the measure succeeded in reaching an understanding substantially in accord with the resolution, but the conference itself took no action. No authorized strikes against non-unionists have ever taken place in association foundries nor have members of the Association ever contested the gradual unionization of their plants.

The "open-shop issue" played an important part in bringing about the abrogation of the New York Agreement with the National Founders' Association in 1904. Prior to that time a union shop was recognized by the machinery and jobbing foundrymen in some cases as, for example, in the

[9] Proceedings, 1895, p. 86; 1899, pp. 65, 173.
[10] Iron Molders' Journal, April, 1900, p. 187.

settlement of the big Cleveland strike in 1901. Here it was provided that scabs at work in the shops affected by the strike might complete the period for which they were under contract. Foundrymen were also given forty days' time in which to dispose of other non-union employees with whom no contracts had been made. At the conclusion of the periods stated union men only were to be employed unless it developed that the supply of unionists failed to provide the firms with the necessary number of molders. During the three years following the adoption of the Cleveland settlement the Founders increasingly manifested their disposition to regard the degree of organization as a question with which the New York Agreement was not concerned, and in 1904 they insisted that the union definitely recognize the open shop. The demand was refused. Representatives of the union pointed out that at no time had their organization requested a general understanding in favor of the closed shop. After the agreement was abrogated the Founders began an active campaign against the closed shop. At the present time many foundries affiliated with the Association are again operating "strict union shops" in spite of that organization's open-shop pronouncements.

In enforcing the simple closed shop there have been some instances where local molders' unions have allowed no men without union cards to begin work in fully organized shops. As a general rule, however, ordinary non-members who have had no "record" have been permitted to obtain employment in such establishments on condition that they apply for membership within from twenty-four to forty-eight hours after beginning work. Suspended members have rarely been in good favor. In practice they have been considered even more undesirable than ordinary non-members, especially when their suspension has been due to gross carelessness or indifference. Particular opprobrium has attached to the journeyman who has refused to pay his dues while working in an open shop. When suspension has been

caused by a member's poverty, no objection has ordinarily been made against his continued employment for a reasonable time with members in good standing. Expelled members and scabs have never been allowed to work with unionists except where the organization has been temporarily unable to object. During sharp jurisdictional fights members of rival unions have been treated much the same as scabs. Honorary members returning to the trade have been required to take out active cards before going to work in union shops. Foremen who "work on the floor" have not been entitled to honorary membership but have been required to hold active cards. Foremen have frequently had their honorary cards annulled for hiring scabs or for trying to run non-union shops.

The principles of the extended closed shop have also been observed by the Molders. As early as March 19, 1865, local union No. 2 of Troy voted that members should make neither stove nor machinery work for struck shops. In 1881 members working in the Victor Stove Company of Salem, Ohio, refused to mold certain castings intended to fill orders for a struck shop in St. Louis. In 1886 the International Union provided that whenever an employer who had locked out his hands proposed getting his work made elsewhere, it should "be the duty of all members under this jurisdiction to refuse to work on said jobs."[11] In 1887 occurred the "great lockout" which had its start in the Bridge and Beach foundry of St. Louis. As the dispute with foundrymen through the Central West became general, the Molders' executive board, for tactical reasons, ordered members in the eastern shops "to work on St. Louis patterns if offered." It was believed that the manufacturers had agreed upon a general lockout and that they were courting the rejection of patterns "as a pretext to throw the blame on the molders." The international officers also

[11] Constitution, 1886, art. 8, sec. 7. In 1890 the rule was amended to read that members should "refuse to work on said jobs or in any shop where said work is made" (Proceedings, 1890, p. 79).

felt that it was necessary to affect a settlement with foundrymen outside of St. Louis, if possible, since the finances of the organization were not capable of standing too severe a strain.[12] Two years later, when the general lockout had subsided, we find the molders once more sanctioning "strikes against struck patterns." The extended closed shop has also been enforced at times when two or more foundries have been operated by the same firm. For example, in 1909 the executive board upheld the contention of members working in the plant of the American Car and Foundry Company at Terre Haute that a second foundry at Indianapolis should be unionized. In 1911 less positive action was taken with General Electric Company which was running union in its Schenectady plant but non-union in Erie. At the same time there was trouble in the Pittsfield plant. While it was urged in some quarters that a strike at Schenectady would have a good effect in bringing about full unionization, the executive board finally decided to use only peaceful efforts to obtain an agreement covering all shops of the Company. At the same time, however, the board voted to strike all shops of the International Steam Pump Company in order to secure "more effectiveness" for strikes being waged in three of the Company's plants.

The joint closed shop has been enforced by the Molders and allied trades in several instances. In the previous discussion relating to sympathetic strikes[13] the Molders' policy in regard to joint action has been reviewed sufficiently to make further treatment of it unnecessary.

In securing the establishment of the closed shop the Molders have resorted to various methods. During the sixties and seventies it was common after unsuccessful strikes to "open" shops to union men. Members were even allowed to work in some scab shops, since local unions at this time exhibited such propensities for scabbing foundries for every possible cause that there were few union

[12] Iron Molders' Journal, May, 1887, p. 10.
[13] See pp. 108–113.

shops left. It was soon found out that mere scabbing did not convert a plant into a union establishment. Hence, the 1872 convention recommended that scab shops all over the country be "opened" so that members could enter them for the purpose of winning them back. Two years later President Saffin declared this policy to be wrong since "not one shop has ever been redeemed by such a course, while many shops have been redeemed by union men refusing to work with a scab. . . . Instead of making union shops, the result of this course is usually that the so-called union men get careless, become tainted, are first suspended for non-payment of dues, and if trouble comes, are finally expelled for scabbing."[14] In spite of Saffin's protest it has continued to be the policy of the organization in many cases to secure closed-shop establishments through a process of gradual unionization. Peaceful persuasion of non-members has not always been carried to the point of getting a full organization in the shop, however, since strikes have frequently been inaugurated to secure the closed shop when a union majority has been obtained. "Working under cover" has also been resorted to as a method of "fighting the devil with fire." This scheme has enabled the union to organize shops in secrecy where the employers have been anti-unionists.

The Molders have always enforced the closed shop through the card system. The first convention of 1859 adopted a "union card" to "be furnished to any member in good standing going from one union to another," and prohibited the use of any other kind of card.[15] The "union card" in after years became known as the "clean card," and finally as the "active card," to distinguish it from the "honorary card." As soon as the bearer of a card obtains employment under a local union he is supposed to deposit his card with it. As long as he pays his dues regularly he is entitled to a new card. His standing with the union is determined from time to time by his record on the books

[14] International Journal, August, 1874, p. 55.
[15] Proceedings, 1859, p. 10.

of the local financial secretary. Since 1899 the Molders have also employed a "stamp book" in which a stamp is pasted when a member pays his weekly dues. A paid-up stamp book, however, is not acceptable in lieu of an active card as a proper credential for a traveling molder. In hundreds of instances traveling molders have continued to work in new jurisdictions "with their cards in their pockets." To compel adherence to the rule that all cards must be deposited promptly, delinquent members may be fined or have their cards annulled.

The enforcement of the closed shop has been taken care of locally by "union," "finance," or "shop committees," which are set up in each foundry which the organization endeavors to control. These committees receive cards from traveling members and keep on the watch for non-members employed in their shops. "Shop stewards" or "shop collectors" usually collect union dues from members in the various foundries although the committees just mentioned are sometimes employed for this service.

The Label.—In November, 1880, President Fitzpatrick called attention to the fact that the Cigar Makers had recently adopted a union label "for all cigars actually made by members of the union" and expressed the opinion that a similar device "furnished to employers running union foundries would have a good effect."[16] The Cigar Makers' experiment was so novel, however, that not until 1884 did a second advocate of a molders' label appear. In that year a St. Louis member argued that if the Molders would copyright their seal "or some other suitable trade mark and then place this upon every stove that leaves the union foundries," the "union stove," thus marked, would soon drive all "scab stoves" out of the market, much to the benefit of fair employers and competent mechanics.[17] In April, 1886, the executive board approved the adoption of a label and urged local unions to give "due consideration" to the

[16] Iron Molders' Journal, November, 1880, p. 5.
[17] Ibid., September, 1884, p. 3.

matter at the next convention. At this meeting the recommendations of the board were approved in a standing resolution which provided "that a uniform device, design, or mark be adopted by this union to be placed on all castings, to designate free and union-made work, the same to be copyrighted and distributed among the subordinate unions for use by all foundrymen who conduct fair establishments."[18] The form and design on the label were left in the hands of the executive board. After concluding that a metal device would be impracticable, the board decided in favor of a paper label to be pasted on castings.

The paper label soon displayed many disadvantages. It proved difficult to obtain a satisfactory paste. Frequently labels were badly mutilated or actually torn off when castings were being handled. It was discovered, too, that firms to which labels were issued often sent the labels to retailers who placed them upon castings when customers demanded union-made goods. This practice obviously opened the way for affixing labels to goods which were not union-made. In view of these facts it was voted in 1899 to have the label consist of an impression placed in the patterns in such a way as to be both conspicuous and artistic. It was soon discovered, however, that foundrymen would not tolerate such a device. Accordingly, in 1902 the "white paper label" was restored after having been used, as a matter of fact, during the entire three-year period of its official rejection. Provision was also made in 1902 for stamping every label with the number of the issuing subordinate union. The international officers were empowered to have the label copyrighted and to prosecute infringements.

As noted above, the label was limited from the first to the use of "fair" establishments, that is, shops employing union men only and observing union rules. Soon after the adoption of the label it was stated that the device was "a guarantee" that every casting carrying it "was made by competent first class workmen who have served a regular

[18] Proceedings, 1886, p. 56.

apprenticeship of the Iron Molders' Union" and that the firm which manufactured label goods was "giving employment to . . . our members and organization" in preference to "prisoners and other inferior workmen. . . ."[19] After 1895 employers operating two or more foundries were denied the use of the label unless all of their establishments were "strictly union shops." In 1899 the use of the label was withheld from foundrymen who did not pay the average wage rates prevailing in their districts. The original rules relating to the label provided that it should be placed upon "all castings" made under union conditions. In practice, however, the Molders have never forced an employer to use the label against his will.

At the annual conference held between the Molders and the Stove Founders' National Defense Association in 1904 it was asserted that those association members who did not use the label were virtually being boycotted by the campaign against non-label stoves. The Defense Association declared that this state of affairs was not compatible with the friendly relations existing between the two organizations. The Association further stated that it would like to drop the use of the label altogether. In case this were not possible, it proposed that its members who did not employ the label be given certificates as evidences of their compliance with general union regulations. President Valentine responded for the Molders that such certificates could not be granted except to proprietors of strictly union shops. At the time there were twenty or more members of the Defense Association who ran open shops and who would not have consented to unionization. The difficulty was finally settled by the Molders' representatives agreeing that their organization would not "itself or by any of its agents in any manner discriminate against the goods manufactured or sold by any member of the Stove Founders' National Defense Association because of the unwillingness of the

[19] Iron Molders' Journal, March, 1887, p. 10. In 1888 it was reported that many employers had been refused the use of the label because they did not observe the apprenticeship ratio.

members of said Association to use the label." A copy of this agreement was ordered sent to every local union.[20]

While the Molders have not used direct pressure to establish a wide employment of the label, they have at all times carried on a campaign of publicity. Soon after 1886 several local unions endeavored to promote the label by placing advertisements in newspapers, by having exhibits at industrial fairs, by soliciting dealers to handle label stoves, by issuing circulars, and by getting endorsements for the label from other trade unions or from central labor bodies. "Label committees" have generally directed these activities. From May to December, 1899, local union No. 210 of Perryville, Maryland, published a monthly paper called the Union Label for the purpose of creating a demand among union men generally for all union labels, but particularly for the Molders' label. Since many local unions did very little to push the label it was urged that the International Union take a more active part in directing label propaganda. In 1890 it was resolved to ask for recognition of the label by the Farmers' Alliance and to have organizers "handle the label" on their travels. In 1895 organizers were required to devote part of their time to lectures in the interest of the label. The 1895 convention also voted to "bring about closer relations with the carpenters and joiners and all federated trades and decide upon a place where hardware bearing the label could be bought direct from the manufacturer instead of [from] the hardware trust."[21] Apparently nothing was done to give effect to this resolution. In 1899 the international president and executive board were voted a "reasonable sum" to be used at their discretion for label agitation. In 1902–1903 a grant of $259.41 was made to the New England Conference Board under this provision. During the same period a special organizer was placed in the field to make an active campaign against non-union stoves and a facsimile of the label

[20] Ibid., April, 1904, p. 237.
[21] Proceedings, 1895, pp. 78, 81.

was put in all stamp books in order that members might become familiar with the design. In 1913 the executive board sent an organizer on an extended tour throughout the South to work up a greater demand for union-made stoves. This campaign, which was designed not so much to increase the demand for the label as for union-made stoves in general, achieved considerable success.

As early as May, 1887, ten local unions were reported as supplying labels to employers in their respective districts. At the 1888 convention President Fitzpatrick stated that since February 14, 1887, a total of 30,000 labels had been issued. By the latter part of 1889 thirty-one firms were using the label. Although it would seem that fair results had been attained in a comparatively short time, there were those who declared that the label was "a most pronounced failure" because it had not been properly advertised. In 1897 only twelve concerns were reported as using the label. In 1903, however, the New England Conference Board was able to state that its activities had resulted in the use of the label by "every stove foundry" within its jurisdiction. In recent years the label has been used by from fifty to seventy firms, chiefly manufacturers of stoves and furnaces.

The results obtained up to 1907 led the Molders in that year to declare the label to be organized labor's most efficient weapon. Much earlier than this, union members held that the label was the only instrument for defense against prison-made castings and stoves. While it is true that the label has brought considerable benefit to the Molders, it has failed in many respects. The machinery branch of the trade in particular has presented difficulties in using the label. In 1895 President Fox explained the situation as follows: "Placing the label on castings and specialty goods has not been successful, because . . . castings, promiscuously made, leave the foundry in an unfinished condition, and are handled by others, and when leaving their hands have no evidence of make discernible, because of the process they are put through to bring them to a finished

state." In the stove branch of the trade the Molders have been handicapped because foundrymen have objected to conspicuous labels on the ground that they detract from the appearance of stoves in the market. Again, as President Fox said in 1895, "while the cigarmakers, printers, and other organizations can point with pride to the success of their label," the Molders "are unable to do the same . . . because the conditions in those trades are more favorable" than in the molding industry. He further said:

> The purchase of a cigar calls for a small expenditure of money, and that, too, by a man who may or may not belong to a union; and the same can also be said of a bill for printing, which, if the label does not appear upon it, it is the purchaser's option to decline, as union-labeled cigars and printing can be had almost anywhere. But not so with a stove, which, besides calling for a considerable outlay of money, is generally bought by women, who, no doubt, are controlled more by the price than by any other consideration. Besides this, stoves of certain makes and names have, on account of their superior advantages, established for themselves a trade which the dealers find greatly to their advantage in supplying, because of the demand made for them by their customers, who will have no other.[22]

With such conditions existing it is but natural that stove manufacturers should declare that the use of the label is advantageous "only in the few well organized centers."[23]

While the Molders have not been as successful as several other unions in their label policy, they have not suffered materially on that account. The Molders have always been a militant organization, depending upon a substantial financial policy and bold strikes for their advance rather than upon the negative boycott of the label. Their main object has always been to bring foundries under union control. Whether such establishments, once unionized, use the label or not, is a secondary matter.

The Boycott.—To a limited extent the Molders have made use of the boycott. For the most part boycotts have been imposed by local unions rather than by the general

[22] Ibid., p. 21.

[23] Ibid., 1899, p. 15. So little was the Molders' label known in some quarters that the statement was made at the Connecticut state branch of the American Federation of Labor in 1900 that the Molders did not have such a device.

convention. What was apparently the first boycott ordered by the general convention was instituted in 1867. Prior to the recent legal decisions restricting the use of the boycott on interstate commerce, it was customary to publish the names of boycotted firms in the official union journal for several issues until the boycott had been removed or until it had grown "stale." Generally speaking, the Molders have not found the boycott a very effective instrument. The products of machinery and jobbing shops are used chiefly by manufacturing concerns, railroads, and other enterprises which care little whether castings are made by "fair" establishments or not. It is also difficult to boycott stoves with much success because they are purchased largely by the middle classes who have little interest in the battles of labor organizations, and because they are purchased at long intervals, sell for fairly high prices and are not well suited to the use of the union label. The leaders of the union have always counseled moderation in the use of the boycott and have urged that it be employed only as a last resort. Perhaps the best known boycott in the molding industry was the one started against the Buck Stove and Range Company in 1906. This boycott was begun by the Metal Polishers and was endorsed by the Molders as a part of the American Federation of Labor when the latter put the firm on its unfair list.

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